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## Serbs Down U.S. Jet, 120 UN Hostages Reported Freed After 16 French Are Seized



U.S. Marines firing rifles aboard the Kearsarge assault ship in the Adriatic as they trained for possible support of UN peacekeeping troops in Bosnia.

## Pilot Missing, NATO Mounts Rescue Effort

By Roger Cohen  
New York Times Service

SARAJEVO, Bosnia-Herzegovina — The Bosnian Serbs shot down an American F-16 fighter aircraft flying a NATO mission over northern Bosnia on Friday, drawing the United States more directly into the Bosnian conflict than ever before.

A NATO spokesman, Lieutenant Commander Mike Considine, said that the pilot ejected from his plane and that his fate was unknown. A rescue operation, almost certainly involving aircraft and helicopters, was mounted near the northern Bosnian Serb stronghold of Banja Luka.

[French officials said Friday that Bosnian Serbs had released 120 UN hostages and that they would be taken to Belgrade. Reuters reported from Paris.

[The United States said it welcomed the reported release of some of the peacekeepers, but insisted the rest should be freed as well.

[The Bosnian Serb leader, Radovan Karadzic, said from his headquarters in Pale, outside Sarajevo, that he expected a "sign of goodwill" from the international community before releasing more of the hostages.]

The hostage issue became more confused when, before the announcement of the release, it was reported that Bosnian Serb forces had taken another 16 French peacekeepers hostage.

The North Atlantic Treaty Organization declined to give details of the mission to rescue the U.S. pilot. Bosnian Serb officials said a parachute was seen just before the fighter crashed into a populated area near the town of Mrkonje Grad, about 65 kilometers (40 miles) south of Banja Luka.

With the downing of the plane, it appeared a decisive moment had been reached in the Bosnian conflict. Britain and France had over 180 personnel among the more than 350 United Nations peacekeepers that had been taken hostage by the Serbs after two recent NATO bombing raids.

The Serbs, who have threatened to shoot down alliance aircraft after NATO twice bombed a Serbian ammunition depot, downed the U.S. fighter with a surface-to-air missile.

Several such missile batteries were installed by the Serbs last year to deter NATO flights over the 70 percent of Bosnia they hold. The missile systems would be obvious targets if the United States decided to respond militarily to the downing of the plane.

The American fighter took off from Aviano in northern Italy and was flying a NATO mission as part of an operation that began in April 1993 and was supposed to prevent the belligerents in the war from using aircraft.

It was the first American aircraft shot down in the three-year-old war. Last year, a British Harrier jet flying a NATO mission was downed over the eastern Bosnian enclave of Gorazde, but the pilot ejected into territory held by the Muslim-led Bosnian government and survived.

The downing of the U.S. plane came at a



## Major Casualty To UN, NATO And America: Credibility Loss

By Michael Dobbs  
Washington Post Service

BRUSSELS — Among all the troubling images of the Bosnian war, few are more perplexing than the spectacle of a ragtag Balkan army spitting in the face of the world's most powerful military alliance.

How is it that an organization that succeeded in keeping the Soviet Red Army at bay for more than 40 years gets such little respect from the Bosnian Serbs?

The official answer to this question is that the North Atlantic Treaty Organization has never been directly involved in the war in the former Yugoslavia. It has merely provided technical military support, when requested to do so by the United Nations.

According to this line of reasoning, NATO's own credibility has not been adversely affected by its inability to stop the worst outbreak of fighting in Europe since the

### NEWS ANALYSIS

end of World War II. NATO never set itself the goal of bringing peace to Bosnia. Such logic may provide some comfort to the political leaders who worked out the tortuous "dual key" arrangement that put NATO forces under the control of UN bureaucrats.

But it is hardly adequate on a day in which an American F-16, carrying out a NATO mission to enforce a "no flight" zone over Bosnia, gets shot out of the air by a Bosnian Serb missile.

What is at stake is not just the credibility of the United Nations, but also the credibility of NATO, and in the last resort the credibility of the United States, the world's sole remaining "superpower."

In private, NATO officials and diplomats acknowledge that the Yugoslav crisis has highlighted the enormous problems faced by the alliance in adapting to the challenges of the post-Cold War era. Western governments no longer have the luxury of facing the Soviet Union, a single, monolithic threat that was easily explainable to public opinion and served the useful purpose of galvanizing the West into action.

The "evil empire" has given way to a multitude of "evil fiefdoms," each of which has the capacity to cause the West a huge amount of trouble.

"It used to be very simple," an official at NATO headquarters in Brussels said Friday. "NATO was created at a time when the military threat was very palpable. We

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## Experts Dismiss Recession Fears Despite Job Data

By Lawrence Malkin  
International Herald Tribune

NEW YORK — An unexpected loss of more than 100,000 industrial and construction jobs during May was reported by the government Friday, changing a series of gloomy economic reports. Despite the job loss, however, analysts nevertheless found no recession.

The consensus on Wall Street and in Washington was that traditional harbinger of recession — high inflation, excessive debt, overstocked stores, rising interest rates — were all missing, and that the current readjustment was therefore highly unlikely to turn into a collapse, although the climb back to steady growth might last for the rest of this year and need the help of the Federal Reserve.

"Nothing is seriously out of balance in the economy," said Cynthia Latta of DRI/McGraw Hill. Before regaining momentum, economists forecast that economic growth may dip below 1 percent, and even Treasury Secretary Robert E. Rubin publicly conceded that "we may have a few bad months."

This also seemed to be the considered verdict of the financial markets after they recovered from the initial shock of a 101,000 decline in payroll unemployment instead of an expected if sluggish advance of 150,000.

The economy added 60,000 service jobs in trade and transportation. But this was far from enough to offset losses that included 57,000 jobs in construction, 56,000 in manufacturing and 22,000 in government.

The dollar at first declined in Europe by half a yen and almost 2 pfennig, but moved into positive territory in New York by midday. The Dow Jones Industrial Average fell, led lower by stocks in companies sensitive to weakness in the economy, but banking and technology stocks rose.

The more significant figure, were in the Treasury bond markets, which were expected to help stem the economic slide by providing cheaper credit for housing, mortgage refinancing and industrial investment. For the first time in 15 months, yields on 30-year Treasury bonds fell below 6.5 percent to 6.49 percent.

Two- to 10-year rates fell to between 5% and 6 percent, reflecting the widespread belief that the Fed would cut its current 6 percent rate for overnight bank money this summer by as much as a full percentage

Dow Jones	Trib Index
Down	Up
28.36	0.56%
4444.39	123.20

The Dollar	vs. yen	vs. DM	vs. pound
DM	1.409	1.4058	
Pound	1.595	1.5977	
Yen	84.35	84.65	
FF	4.951	4.951	

point. Thus the central bank would start reversing last year's preemptive strike against inflation, which is slowing the economy now.

Not all signs were totally negative after a week of reports on slowing factory orders

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## As the East Waits, Japan Weighs Past Against Future

By Michael Richardson  
International Herald Tribune

SINGAPORE — As Japan's Parliament tries to decide whether and how to draft an apology for its aggressions before and during World War II, virtually every country in East Asia and the Pacific is telling Tokyo that the decision will have an intangible but critical impact on its role in the region.

Through public and private channels, they have made it plain that an unambiguous apology for Japanese ag-

gression and colonial rule in Asia is an essential condition for greater acceptance in the region.

The coalition government headed by the Social Democratic prime minister, Tomiichi Murayama, is deeply divided over the wording of an apology to mark the 50th anniversary of the war's end.

Hard-line conservatives of the Liberal Democratic Party in the coalition assert that the statement sought by the Socialists is a leftist view of history that dishonors the struggle by Japan's war dead to liberate Asia from Western colonialism.

Earlier this week, coalition leaders set Friday as a deadline for a draft accord on the apology, but a new round of negotiations Friday on the resolution ended without agreement and Mr. Murayama repeated his call for a clear apology by Parliament. Reuters quoted some observers as saying that the debate could drag on until Parliament's session ended on June 18.

A number of Asia-Pacific countries have told Tokyo that it must go further, officials said. They want Japan to follow the example of Germany in not only acknowledging

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## Chinese Catholics Blossom, Even Under Beijing's Thumb

By Steven Mufson  
Washington Post Service

DONG LU, China — The sound of Gregorian chant drifted over the rice fields as a stiff wind blew in from the silver center, and thousands of Chinese Catholics clutched their crosses or rosaries and strained for a view of the Mass said here last week by priests and bishops of the underground Roman Catholic Church.

Twice the congregation turned and stared at the afternoon sun for a glimpse of the Virgin Mary, who Catholics say appeared here nearly a century ago to save them during the anti-missionary and anti-Western rampages of the Boxer Rebellion. Once, the crowd broke into applause. "If you don't believe, you can't see," said one of the faithful.

Nearly as miraculous as the vision was the spectacle of nearly 10,000 Chinese defying the Communist government by holding an unauthorized Mass. While international attention has focused on a few dozen high-profile dissidents in Beijing, thousands of other Chinese have fought

their own battles against the authorities, sneaking through police roadblocks and risking arrest to get here. A bishop came several days early by motorcycle; another slipped through a roadblock at 3 A.M.

Other Catholics came by tractor, bus, taxi or foot. Organizers of the meeting in this village, 210 kilometers (130 miles) southwest of Beijing, where large-scale Masses are held annually and smaller ones take place throughout the year, said that thousands of others tried to attend but were turned away by police.

The Mass at this pilgrimage site is just one of many signs of the Roman Catholic Church's ability to survive under the

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### AGENDA

#### Clinton Renews China Trade Status

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Behind 'Friendly Fire' Deaths

INTERNATIONAL Page 5.  
Robin Confident on Golan

BUSINESS/FINANCE Page 11.  
Europe's Grim Automakers

Opinion Page 8. Sports Pages 18, 19.  
Books Page 6. Crossword Page 19.

International Classified Page 13.

WASHINGTON (Reuters) — President Bill Clinton on Friday renewed most-favored-nation trade status for China for another year but said he still found China's record on human rights unacceptable.

"We believe that renewal of MFN will promote a range of U.S. interests in China, including human rights," the White House spokesman, Michael McCurry, said in a written statement.

But he said the United States remained convinced the "broadest possible engagement with China offers the best opportunity over the long-term to ensure that China abides by internationally accepted norms."



No. 1 — Andre Agassi in his French Open victory on Friday. Page 19.

## Raunchy Fare Ranks Time Warner as America's Cultural Culture

By Howard Kurtz  
Washington Post Service

WASHINGTON — Last summer, when a magazine journalist, John Leo, had dinner with friends in the Hamptons, the talk turned to which corporation was doing the most to debase and degrade American culture. The winner, hands down, was Time Warner.

Mr. Leo gathered evidence, particularly about offensive music, and delivered his indictment in March in his U.S. News & World Report column. "Like a junkie quivering toward a fix," he wrote, "Time Warner simply can't resist cashing in on the amoral singers who work tirelessly to tear the culture apart, glorifying brutality, violence and the most hateful attitudes toward women."

The next day he got a call from William J. Bennett, the former education secretary. "I was reading it like Joe Citizen and I couldn't believe it," Mr. Bennett said Thursday. "I'm an old rock-and-roller, played in bands. But when I read these lyrics I was outraged."

That conversation led to a public campaign against Time Warner, a confrontation at its annual meeting and, on Wednesday, a stinging attack by the Senate majority leader, Bob Dole of Kansas, that has put the company at the center of the presidential campaign and the nation's ongoing culture wars.

"Time Warner is our leading cultural polluter," said Mr. Leo, a former Time editor. "No one is in favor of censorship, but this is a matter of corporate responsibility."

Some journalists at Time Warner, whose music

division is a key profit center, are equally appalled. "Most people here say this is just about making a buck," one Time magazine staffer said. "They're ashamed of it."

But Michael Fuchs, chairman of Time Warner Music Group, accused Mr. Dole of politicizing the issue through "overheated rhetoric."

He said that offensive lyrics, by past and present Time Warner artists, are "the price you pay for freedom of expression."

Whether or not Time Warner is engaged in the "marketing of evil," as Mr. Dole put it in his Hollywood speech, the news and entertainment conglomerate has abruptly become this year's "Murphy Brown," under attack by a national politician for undermining moral virtue.

"I have mixed feelings about it," Mr. Bennett said. "It gives our critics a club to say this is all about politics. The good part is it does raise the profile of the issue."

Mr. Bennett is stepping up his campaign by sending letters to Time Warner board members — including an opera diva, Beverly Sills — citing the "vulgar" and "truly offensive" lyrics of the heavy metal group Nine Inch Nails.

"I am a big man (yes I am). And I have a big gun. Got me a big old (expensive) and I like to have fun. Held against your forehead, I'll make you suck it. Maybe I'll put a hole in your head. . . I can reduce you if I want. I can devour. I'm hard as (expensive) steel

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### Newsstand Prices

Arizona	9.00 FF	Luxembourg	80 L Fr
Austria	11.20 FF	Morocco	13 Dh
Cameroon	4.00 CFA	Qatar	8.00 Rials
Egypt	5.00 FF	Reunion	11.20 FF
France	9.00 FF	Saudi Arabia	9.00 R
Gabon	960 CFA	Senegal	960 CFA
Greece	350 Dr	Spain	225 PTAS
Italy	2,600 Lire	Tunisia	1,250 Din
Ivory Coast	1,120 CFA	Turkey	TL 45,000
Jordan	1 JD	U.A.E.	8.50 Dirh
Lebanon	US\$ 1.50	U.S. Mail (Eur.)	\$1.10



# Sakhalin Town Has No One Left to Fight Oil Spill

NEFTEGORSK, Russia — Serafima Varlamova stared at the bulldozer parked on the side of the sandy road that cut through the birch and pine forest of northern Sakhalin Island and cursed the missing driver.

"Drunk!" she said with a scowl. "We are looking at an ecological disaster in the wake of this human tragedy, and all anyone can think about is drinking vodka."

Mrs. Varlamova is an oceanographic researcher in the Russian Ecology Ministry. She is trying to bring official attention to another disastrous result of the earthquake that killed more than half of the 3,200 residents of this small oil town last Sunday.

She is worried about the oil leaking from a ruptured pipeline that runs across Sakhalin from the offshore fields in the Sea of Okhotsk to

terminals on the mainland. Some 21,000 barrels of crude, she said, have been spilled since the pipeline buckled in the quake.

"The problem is that all the people who ran the pumping stations and knew the pipeline are dead, missing or so disoriented that they can't possibly work," Mrs. Varlamova said. "Neftegorsk was not just an oil town. It was a town created exactly to house those who worked in the industry. Now it — and they — are gone, and no one else seems to know what is where or what to do."

Rescue workers found a badly injured teenager early Friday, along with 95 corpses, after searching in vain for survivors and the dead Thursday night.

Two more survivors were pulled from the rubble late Friday, Reuters reported. Medical officials said Misha Deputatov, 9, and Fyodor Yakimov, 33, were found in the wreckage.

But rescuers had slowed their search to concentrate on a single site, evidence that hopes of finding more people alive were fading fast.

They were sifting through the remains of one of the 19 prefabricated, five-story apartment blocks that collapsed in seconds in the earthquake, which measured 7.5 on the Richter scale.

The authorities said that the official toll from the quake so far was 866, and that 405 survivors had been found. They said they believed that up to 2,000 people perished.

In Moscow, meanwhile, a spokesman for President Boris N. Yeltsin apologized Friday for the president's "rather emotional remarks" Wednesday, in which he suggested that a Japanese offer to help quake victims could come with a price: a demand for the return of the Kuril Islands that were seized by the Soviet Union at the end of World War II.

But the spokesman also said that "influential forces" in Japan wanted to link all contacts with Russia to the dispute, a reaction the Japanese Embassy in Moscow called "regrettable."

Across the country, the oil was draining into the rich fishing grounds that surround Sakhalin. Pools have collected along the pipeline, marking the 18 spots where the underground pipe moved and snapped.

But more disturbing to Mrs. Varlamova was the attitude of the oil sector, which she said regarded production as the most important concern.

"There is heavy pressure on us to reopen the pipeline immediately, without thoroughly checking it," she said. "It is almost like the bad old days of the command economy. Haven't we learned anything?"

## Corsican Separatists Separate Dozen Quarreling Factions Blast Each Other

By Marlies Simons  
New York Times Service

AJACCIO, Corsica — A tough Corsican ritual was played out in Ajaccio the other night. A sports car came sweeping past a government building. From the car, three masked figures sprayed the dark offices with gunfire.

As the fusillade echoed around the heavy stone walls of this medieval port, the patrons of the Napoleon Bar hit the floor like a well-drilled crowd. But no sooner had the sounds faded than the interpreters of Corsica's violent politics got to work.

"It's against those new gun controls," one patron declared. "It must be about a construction license," another said. And in the ensuing debate, local commentators identified no fewer than three nationalist groups that could have dispatched the assault team.

As Corsican acts of revenge go, this was mild. The fierce dynamics of the island's separatist struggle last year included 400 bomb explosions and 40 murders, most of them believed to be political and most not cleared up.

Corsican separatists who want more or full independence from Paris have been around since 1768, when Genoa sold this Mediterranean island to France. But the modern armed movement, which began two decades ago, has been unrelenting. There has been so much blasting of banks, police stations, homes and businesses that new cases no longer qualify as news on mainland France.

What distinguishes the recent violence, however, is that the once dominant Corsican National Liberation Front has split into quarreling factions. More than a dozen competing groups now seek control over Corsican affairs. Three factions have armed guerrilla branches.

Mutual suspicion and conspiracies proliferate. In conversations with members of different groups it becomes clear that maneuvering against rivals takes at least as much energy as the fight against Paris.

There have been turf wars over who collects which "revolutionary taxes" — the name for the protection money that many businesses are forced to pay. In recent months, nationalists have even killed one another.

As worrying to many people is evidence that the separatist struggle has become a cover for common crimes. "The worst part," an Ajaccio restaurant owner said, "is that the factions are attracting young Ramboes who are interested in the power of guns and not in idealism. It's getting very dangerous."

What is also different is that more Corsicans are tired of violence. In January, after four gangland murders in one week had traumatized the northern town of Bastia, some 500 women published an anti-violence statement in the newspapers which they called a "Manifesto for Life."

Since then, more than 2,000 women have added their signatures, which is considered a high number in this secretive island society. "We get letters of support every day," said Bernadette Spagnole, one of the group's coordinators. "Women who had a son killed or a husband or a cousin. Women who think we've reached the limits and who don't want any more armed bands."

Miss Spagnole contrasted the situation in Corsica to Sicily's. "Italy is coming out of this violence and we are sliding into it," she said. "More and more young people are armed."

What Corsica has in common with Sicily is the tradition of vendettas and the local rule of silence and fear that keeps witnesses and jurors from speaking out in court.

In contrast to Sicily, though, Corsican separatists, rather than profiting from drugs, have called for the execution of drug dealers to keep Corsica "clean." Police believe that some killings and explosions at local bars are linked to the militants' anti-drug campaign.

The women's group has demanded a police crackdown on illegal weapons. They are also staging monthly demonstrations in front of government buildings in Ajaccio where they recite the death toll of the month. The women's group says it takes no sides in the separatist struggle but denounces what it sees as its deterioration into mercenary fights for power.

Although the exact number of militants is not known, nationalism nonetheless still has wide support in Corsica. Max Simeoni, leader of a moderate nationalist group, said that for all the bomb-throwing, "nationalists have achieved what traditional politics had not," including the official recognition of the Corsican language (which is akin to Italian), a university and a regional Parliament, although the latter cannot pass laws.

Militants offer elaborate justifications for the hundreds of bomb blasts every year, some of which are aimed at the kind of land speculation and tourist development that has taken over much of the French Riviera.

"Fortunately, our clandestine groups resist all this," said Jean Philippe Afolini, a member of Cuncolia, a separatist group. "If they hadn't, we'd already be covered in concrete."

## BRIEFLY EUROPE

### U.S. to Study Europe Trade Zone

MADRID — The United States promised Friday to give serious study to proposals for a trans-Atlantic free trade agreement and pledged that its long-term goal was to integrate the economies of North America and Europe.

But Secretary of State Warren M. Christopher voiced some reservations about the idea and proposed several shorter-term measures to boost trade.

The idea of a free-trade zone, first proposed by Canada last year, has been backed by Britain and Germany and is the subject of a study launched by Sir Leon Brittan, vice president of the 15-nation European Union.

"We, too, intend to give it the serious study it deserves, with its considerable potential to form an element of our overall strategy," Mr. Christopher said in a speech to a Spanish research institute.

Economic ties between the United States and Europe are already enormous, with Europe accounting for almost half the foreign revenues of American companies. U.S. investment in Europe roughly equals that in the rest of the world put together.

Critics of the free trade scheme have therefore warned that it could become a rich man's club that would make poor countries even poorer.

In deference to that view, Mr. Christopher said any such agreement "must advance our overriding objective of global trade liberalization," and must not "disadvantage less developed countries." (Reuters)

### Conciliatory Words for Ankara

ATHENS — Greece on Friday welcomed Turkey's "low-key reaction" to Athens' ratification of a treaty that allows it to expand territorial waters and said tension between the two NATO allies seemed to have eased.

"We believe it is over for now," a senior Greek government official said. "There were some harsh words exchanged but everything is under control. We are pleased with the way Ankara handled the issue."

Ancient tensions between the two neighbors resurfaced Thursday when the Greek Parliament ratified the Law of the Sea, an international treaty which gives Athens the right to extend its territorial waters.

Turkey restated its opposition and began scheduled land, air and sea maneuvers around the Aegean Sea, but Foreign Minister Erdal Inonu of Turkey sought to play down the Greek move, saying it "is not a reason for war."

The Greek government spokesman, Evangelos Vezizelos, said on Friday that Mr. Inonu's statements were "cautious and low-key" and that Greece retained the right to extend its waters whenever it saw fit. Ankara has said an actual extension of Greek waters in the Aegean is a cause for war.

Western analysts said that despite past rhetoric and belated posturing, it was unlikely the two nations would allow the dispute to develop into actual conflict. (Reuters)

### Swiss Bishop Quits in Sex Scandal

VATICAN CITY — The resignation of Switzerland's youngest bishop after he got his girlfriend pregnant is the latest sex scandal to haunt a Roman Catholic Church that insists on celibacy for its priests and nuns.

The resignation Friday of the bishop of Basel, Hansjörg Vogel, 44, is bound to fuel new debate over whether the church can expect its consecrated members to live a chaste life in a modern, secular world filled with temptations.

The Vatican said Pope John Paul II accepted the resignation in accordance with canon law, which says a bishop is "earnestly requested" to resign when he has become unable to fulfill his office due to health "or another serious reason."

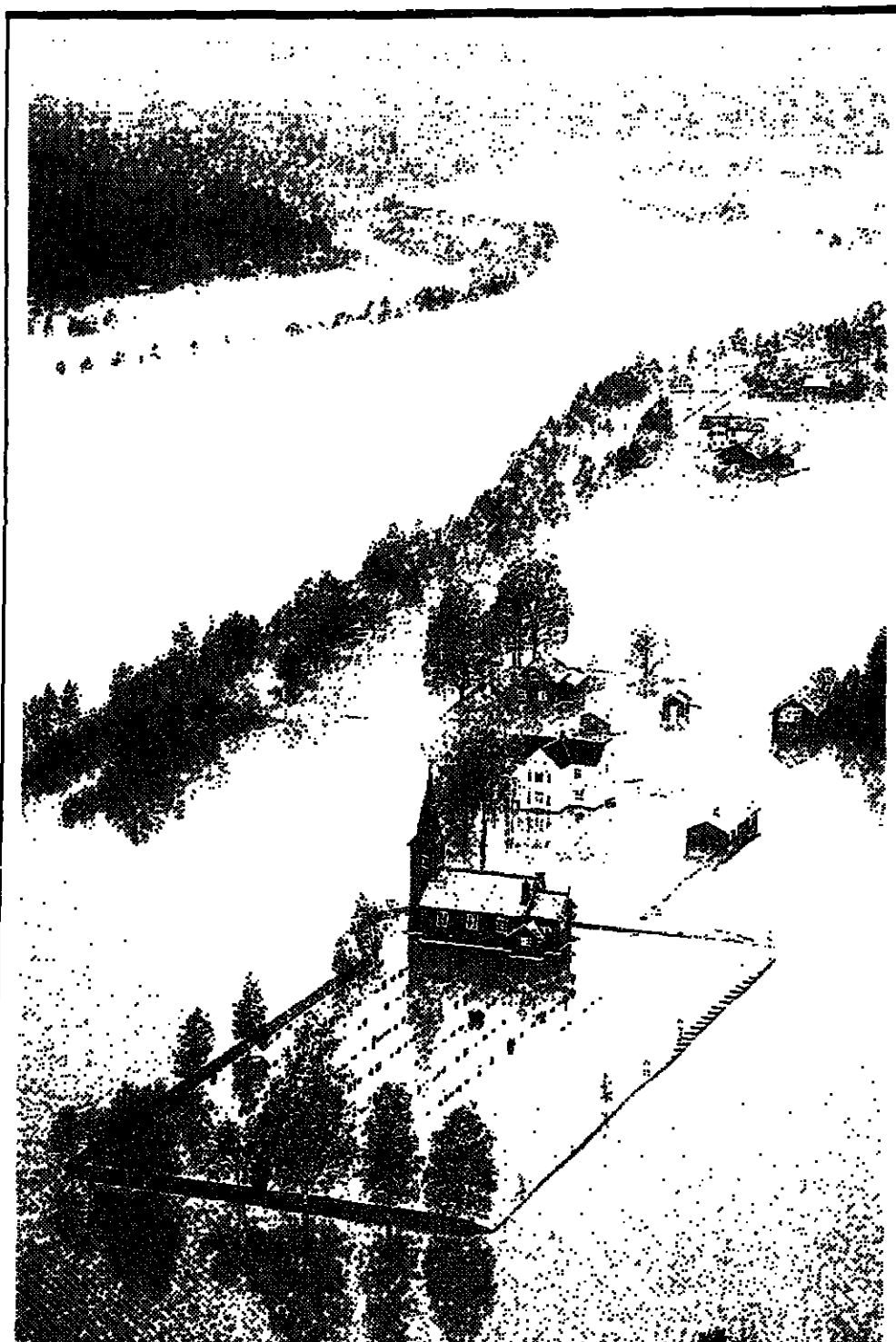
Bishop Vogel acknowledged in a public letter that he had turned to the unidentified woman for comfort from the pressure of his new post after becoming head of the Basel diocese 18 months ago.

Bishop Vogel said he was certain his resignation would unleash renewed debate about the church's celibacy rule. "There will be new doubts about whether priests can stick by their decision to be celibate," he wrote. (Reuters)

### Morocco Fishing Talks Bog Down

RABAT, Morocco — Talks on the European Union's fishing treaty with Morocco bogged down Friday when the EU negotiating team failed to agree on a compromise proposal to cut the Union's catch in Moroccan waters.

The EU had hoped to offer Rabat its first detailed compromise on reducing its catch when the disagreement arose with the Spanish shortly before the negotiations were to begin, according to a Spanish source close to the talks. (AP)



WHEN THE SNOW MELTS AT LAST — As Norway fights its worst floods of the past 125 years, water from the Glomma River, swollen by melting snow and recent heavy rains, threatens a farm and chapel and covers a nearby cemetery. One death has been recorded, a chemical plant has shut down, and trains and roads are blocked.

## From Sudan, a Bishop Tells Tales of Horror Visited on South's Non-Muslims

By Barry James  
International Herald Tribune

PARIS — Despite the cease-fire brokered by former President Jimmy Carter, violence on a major scale is still occurring on a daily basis in southern Sudan, according to the Roman Catholic bishop of Torit, the southernmost diocese in the country.

At the same time, reports from the Sudanese capital, Khartoum, indicate rising unrest in the northern part of the vast nation, with the arrest of more than 200 opponents of the Islamic fundamentalist government.

Opposition sources quoted by The Associated Press said that former Prime Minister Sadek Mahdi

was arrested and tortured for criticizing the fundamentalist leader Hassan Turabi. The government accused him of conspiring with southern rebels, who are mostly Christians and animists, against the Islamic regime.

A somber Pentecost message issued by the bishop of Torit, Paride Taban, illustrated the extent of the violence in the south, where a civil war has raged for the past 12 years. He advised Catholics to carry shovels and hoes on their journeys in order to bury any dead they find along the way.

This was prompted, he said, by the apocalyptic visions he witnessed on a recent drive from Uganda to his see. He said he saw a group of women resembling living skeletons and crazed with fear.

vultures pecking at corpses and a stretch of highway littered with bleached human bones.

Bishop Taban was in Paris to meet with French aid organizations.

He said that government forces were regularly breaking the cease-fire in his sprawling diocese of 375,000 Catholics, bordering northern Kenya and Uganda.

"Chukudum, in my region, is bombed every week," he said. The attacks were continuing "in spite" of Mr. Carter.

The two-month cease-fire, aimed at allowing health officials to put in place a program for the eradication of guinea worm, was recently extended for the next two months.

A spokesman at Operation Lifeline Sudan in

Nairobi, an aid coordinator, conceded that violence in the region was endemic, but said it appeared to be carried out by lawless militias that have broken away from the main rebel movement.

But Bishop Taban said the attacks were part of a deliberate government policy to destroy the culture of the predominantly Christian and animist black African populations of the south. People are told that "to be Africans, they must be Muslims," he said.

The United Nations Human Rights Commission condemned the Sudanese government in unusually forthright terms in March for abuses including "summary executions, slavery and systematic torture." The commission said it had evidence the regime was rounding up Christian children and

sending them to remote camps for indoctrination and forced conversion to Islam.

Amnesty International alleges that thousands of southern Sudanese have been sold into slavery. A recent report by African Rights accused the government of perpetrating a "horrible range of abuses" against southerners in the north.

Foreign aid officials said the government permitted relief flights to 90 destinations in March, but acknowledged that flights had been halted to the Torit region because of the instability there.

"For us in the diocese of Torit and in the whole of southern Sudan, 1995 appears to be leading not to the end of the war, but to the end of the world," Bishop Taban said.

## New York Looks for the Welcome Mat

### Campaign Promotes Niceness to Tourists, but Not All Go Along

By Anthony Faiola  
Washington Post Service

NEW YORK — "Smell my cab," insisted the taxi driver. "Go ahead, smell it."

Taking up Juan Cortes on his offer to inhale the odor of his taxi, a passenger finds his nostrils filled with the sugary fragrance of apple spice. The scent seeps from a rectangular air freshener, emblazoned with the words "New Yorkers Welcome the World," hanging from his rear-view mirror.

"Nice, eh?" Mr. Cortes laughs.

Civic leaders have launched a \$150,000 campaign to take the bad out of the Big Apple by training New Yorkers to be friendlier to the 25 million visitors who pass through New York each year. Last month, a public-private partnership began a five-year sensitivity program to teach 50,000 policemen and other city employees the importance of being polite.

To make cabs more inviting, 10,000 Big Apple air fresheners were distributed. The piece de resistance is a subway ad campaign with slogans like, "Instead of Making a Wise Crack, Crack a Smile," or "Turn Your Back on Tourists and They'll Turn Their Backs on New York."

"We want to dispel the image that New York City is a cold, inhospitable place," Mayor Rudolph W. Giuliani said in an interview. "Personally, I think most New Yorkers are just fine the way they are. But of course, we do have some people who could stand to be more polite."

Yet this is the city of which Mignon McLaughlin wrote, "A car is useless in New York, essential everywhere else. The same with good manners."

"Nice? Nice? To tourists?" Fran Lebowitz, the New York author and humorist, said in an interview at a late-night Soho haunt this past week. "I'd like to stand on one of the bridges with a machine gun and hit them before they come over."

"Look at what's happened to 37th Street," she said. "It's become Anaheim with all those theme restaurants. Tourists are ruining this city. Just leave us alone."

Such responses make officials' hair stand on end. Indeed, in large part, the campaign was launched to polish residents of the Big Apple for America's largest convention of international tour operators, which landed in New York this week for the first time in 26 years.

The tour packages offered by the convention's 7,000 delegates collectively bring over about 80 percent of the 45 million foreigners who visit the United States each year. What's more, the perceptions of New York they take home will affect leisure travel patterns in the city's \$14 billion tourism industry for years to come.

Stephen Morello, chief executive of the New York Convention & Visitors Bureau, said he knew the campaign would be received "with a New York sense of humor."

New York's effort, while unique in scope, underscores a recent movement among major U.S. tourist destinations to make public employees and other tourism

industry "ambassadors," such as taxi drivers, more sensitive to visitors and the economic benefits they bring. In some urban areas, such as New York and Miami, surveys have shown that local rudeness ranks high among deterrents to repeat visits.

In Washington, a study conducted by Research Associates Inc. showed that high costs and often-confusing street signs pose more of a threat to the city's tourism industry than a lack of pleasantness.

"I don't think we need it to the extent that New York City does, but yes, we'd like to see a similar campaign in Washington," said Daniel E. Mobley, president of the Washington D.C. Convention and Visitors Association, which three years ago helped test a program to teach politeness to taxi drivers in the nation's capital. "The only problem is we can't afford it."

Such programs can indeed be costly, unless they are subsidized. In New York, for example, the entire \$150,000 "politeness" campaign is costing the public less than \$11,000 because hotels, advertising firms and other tourism-related businesses have offered their services for free.

So, how is the campaign working? Let's just say the city's residents haven't suddenly put on a happy face and started singing "Whistle While You Work."

## Panel Urges Safety Rules For Tourist Helicopters

WASHINGTON (WP) — The National Transportation Safety Board said Thursday that air tour operators who fly over dangerous areas such as Alaskan glaciers and the pounding surf below Hawaiian cliffs should be required to meet the same safety standards as other passenger-carrying aircraft.

The board, which investigates major transportation accidents, said the Federal Aviation Administration should adopt new national safety standards for tour operators and should order such common-sense precautions as life vests for occupants of helicopters that operate over water.

A special review of air tour incidents showed safety gaps that must be addressed, the board said, including staff shortages in aviation agency field offices with responsibility for air tour operators.

The board's review was prompted by two Hawaiian helicopter accidents that occurred within hours of each other on July 14, 1994. In each case, tourist helicopters made forced landings into the surf in remote areas, killing three people and seriously injuring one.

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## TRAVEL UPDATE

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between Scandinavia and the rest of the world Friday, after wage talks collapsed. The one-day strike by about 650 of SAS's 1,500 pilots forced the cancellation of about 300 flights, or about a third of the carrier's total traffic. (AP)

Alitalia canceled 50 percent of its flights Friday because of a 24-hour strike by a pilots' union over salaries and a restructuring plan, a spokeswoman for the state-owned airline said. (Reuters)

Morocco's 14,000 rail workers ended a monthlong strike Friday after management of the state-run railroad agreed to meet some of their demands on pay and working conditions. (Reuters)

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# Backs Vow UN Troops Rabin Confident on Golan Plan

## Prime Minister Sees Israelis Backing Pullout

**JERUSALEM** — Prime Minister Yitzhak Rabin says he believes most Israelis will support a withdrawal from the Golan Heights in exchange for peace with Syria even though opinion polls show they oppose a pullout.

"I am not worried," Mr. Rabin said in an interview published by the newspaper Ma'ariv on Friday. "This is a tough struggle, but I believe the people want peace."

Peace talks between Syria and Israel are stalled over the issue of the Golan Heights, which Israel seized in the 1967 Middle East War.

Damascus wants a full Israeli withdrawal, but Mr. Rabin stressed that the final pull-back line had to be negotiated.

A poll by the newspaper Yedioth Ahronoth showed that 58 percent of the 501 Israelis surveyed opposed a total withdrawal in return for

peace with Syria and appropriate security arrangements. It said 29 percent backed such a deal.

"Even today, when everything is still hypothetical," Mr. Rabin said, "the situation is not bad. If they tell me that 55 to 58 percent are opposed, in a situation in which the sort of peace is still not known — the timetable, the security arrangements — that seems to me a reasonable situation."

On Thursday night, President Hafez Assad of Syria ruled out high-level talks with Israel and said meetings between ambassadors in Washington were an appropriate forum.

Speaking in Damascus after meeting with President Hosni Mubarak of Egypt, Mr. Assad said: "Peace is peace whether it came through an ambassador, a president of state or a foreign minister."

# Austria Sets Up Nazi Victims' Fund

## In a Step to Make Amends for War

**VIENNA** — Fifty years after the end of World War II, Austria has taken a step toward confronting its wartime past by creating a 500 million schilling fund for Nazi victims.

Parliament passed legislation creating the \$50 million fund Thursday night, and lawmakers said it showed that Austrians were finally facing up to a chapter of their history many have been trying to forget.

Deputies from most political parties, including the far right, backed the government bill to establish the fund for some 30,000 people who were thrown into concentration camps because they were Jews, Communists or homosexuals and for those who fled into exile.

"This is recognition that Austrians participated in the crimes of National Socialism," said Peter Kostelka, parliamentary whip for the governing Social Democrats.

Volker Kier, a Liberal Forum member of Parliament, said "this law is 50 years overdue."

Paul Grosz, leader of Austria's Jewish community, said the fund could help "solve the problem." But he complained that individual victims do not yet know how much compensation they can receive, and those who live abroad have not been told how to inquire about it.

He said the fund's regulations are "extremely difficult for the victims to deal with."

The leftist Greens, who branded the 50-year delay a national disgrace, voted against the bill, arguing that the money being offered was a pittance.

The Greens had demanded that the government make 1.5 billion schillings (\$150 million) available over five years.

About 200,000 Austrian Jews fled the Nazis or perished in concentration camps. Nazi Germany annexed Austria on March 13, 1938.

Only a few hundred of the 300,000 Jews living in Vienna before 1938 survived until Soviet troops captured the city in April 1945.

After the war, many Austrians chose to see themselves as the first victims of Nazism. They suppressed memories of the masses who cheered German troops marching into Austria, of Jews who died in the Holocaust, of Austrians who zealously took up arms and of others who were responsible for Nazi atrocities.

Under the law, compensation would go to people who were persecuted on grounds of race, religion, nationality, sexual orientation or health.

Recipients must have lived in Austria before the annexation or have been forced to flee earlier, or be children of people sent to concentration camps.

Austria already had programs for compensating Nazi victims, but it was hard to qualify. The fund is intended to improve that. (AP, Reuters)



**DRAGON BOAT TIME IN HONG KONG** — Competitors in the annual dragon boat races in Hong Kong paddling furiously Friday. Dozens of boats race each year.

## BRIEFLY ASIA

### UN Women's Conference Faces Many Agenda Rifts

**NEW DELHI** — United Nations officials said Friday that some of the nations taking part in the Fourth World Conference on Women objected bitterly to portions of the draft agenda, but that they expected to reach a consensus.

"A consensus has not been reached on 45, maybe 40 percent of the document," Patricia Licuanan, who is leading the UN Commission on the Status of Women, said at a news conference. The Fourth World Conference on Women will be held in Beijing in September, with 185 nations taking part.

The disputes revolve around religious and cultural, economic and political issues, she said.

"First, we have religious and cultural areas, or the religious fundamentalists versus the secular," Ms. Licuanan said. Sections on reproductive health and rights, family values, and the use of words like "gender" and "feminist" were contentious.

"Then, there are economic issues, where developing and developed countries disagree on poverty, economic growth, foreign debt, aid and sustainable development," she said.

"And there are political issues — conflicts between the more authoritarian and more pluralistic states," she said. (Reuters)

### Progress Foreseen on Timor

**STADTSCHLAINING, Austria** — A key delegate to talks between Indonesia and East Timor said Friday that they would not resolve the 20-year dispute over the territory but could improve relations between the two sides.

Lopes da Cruz, the Jakarta-backed ambassador at large for East Timor, said he hoped that four days of UN-sponsored talks, which begin here Saturday, could improve ties, in particular over economic and cultural issues.

"It's quite a historic meeting," he said. "It's the first time all the parties are meeting," he said after arriving in Stadtschlaining, 140 kilometers (90 miles) south of Vienna.

"If we can create a spirit of dialogue we can try to go for reconciliation," he added. "It will be successful if we can create a climate of understanding."

Indonesia invaded the former Portuguese colony of East Timor in 1975 and annexed it a year later. The UN does not recognize Indonesian sovereignty over the territory. (Reuters)

### 4 Manila Officers Quit

**MANILA (AP)** — Three police generals and a colonel implicated in the alleged summary slayings of 11 accused robbers have resigned after murder charges were filed against them. Brigadier General Panfilo Lacson, task force commander of police units working for the Presidential Anti-Crime Commission, told a Senate committee Friday that he was resigning his post after the hearing.

General Lacson, a highly decorated officer, refused to answer the Senate committee's questions about the May 18 slaying of the accused robbers.

He and the other officers reported that the 11 were killed in a gun battle with investigators while trying to escape.

But Sergeant Eduardo de los Santos, who was with the officers, later said the 11 were summarily executed after they had been arrested. A second policeman supported his claim. (AP)

### For the Record

A swimmer was killed by a shark off a Hong Kong beach Friday in the second death from a suspected shark attack in three days, the police reported. They said the latest victim was a 29-year-old man.

On Thursday, the body of Tso Kam-sun, 44, a teacher who represented Hong Kong in the 1970 Asian Games in swimming, was found off Sai-kung beach. (AP)

The United States and North Korea failed to break an impasse over their stalled nuclear accord Friday, the two sides said in separate statements in Kuala Lumpur. (Reuters)

At least 37 people were killed and 76 injured when a passenger train collided with a freight train in eastern India, the Railway Ministry said in New Delhi on Friday. They died when the Jammu-Tawi express collided with a freight train near Kalubathan station on the border of the eastern states of Bihar and West Bengal. (Reuters)

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| ■ THE PHILIPPINE SUMMIT<br>Manila, September 27-28                               | ■ MERCOSUR: INVESTING IN INFRASTRUCTURE<br>Brazil, November 27-28 |
| ■ THE NEW FRANCE:<br>IMPLICATIONS FOR GLOBAL BUSINESS<br>Paris, October 16-17    | ■ THE MALAYSIA SUMMIT<br>Kuala Lumpur, November 29-30             |
| ■ THE UNITED GERMANY:<br>IMPACT ON BUSINESS & THE ECONOMY.<br>Berlin, October 19 | ■ GLOBAL FUND MANAGEMENT<br>Singapore, December 4-5               |
|  | ■ GULF INVESTMENT SUMMIT<br>Kuwait, Early December*               |

\*Exact date to be decided.

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# Herald Tribune

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THE WORLD'S DAILY NEWSPAPER

## ART

## Gauguin's Appeal to the Russian Avant-Garde

By Roderick Conway Morris  
International Herald Tribune

FERRARA, Italy — Gauguin achieved critical success in his lifetime, but never reaped the financial rewards. His first trip to Tahiti (1891-93) convincingly proved the unique qualities of his genius — but at his homecoming exhibition only 11 of the 44 canvases found buyers.

Two years later, after only 9 out of 47 pictures sold at another show, he returned to Polynesia, produced the remaining series of paintings that were to confirm him as one of the great artists of all time, and died in the Marquesas Islands, disillusioned and in dire poverty, in 1903.

Unknown to Gauguin in his remote Pacific isolation, while buyers in western Europe remained reluctant to invest in his paintings even at the modest prices at which they were then offered, an immensely wealthy Moscow collector, Mikhail Morozov, had become an ardent admirer of his work, soon to be joined by his brother Ivan and another collector, Sergei Shchukin. Such was the enthusiasm of these three that, within less than a decade, they made Russia an unparalleled depository of the artist's work.

The story of this flurry of Russian interest in Gauguin and the consequent impact it had on the country's own artists is the subject of a very attractive and instructive show, "Paul Gauguin and the Russian Avant-Garde," featuring a dozen superb Gauguin canvases, most of which have never been loaned before, as well as bronzes, woodcuts, drawings and Russian works, at the Palazzo dei Diamanti (until 2 July).

Sensibly the exhibition catalogue, with its excellent introductory essay by Albert Kostenevich of the Hermitage in St. Petersburg, contains sumptuous illustrations of all the Rus-

sian Gauguins (many of which are little known in the West), including those that were deemed too fragile to travel to Italy.

Both the Morozov and Shchukin fortunes came from textiles, which the former family manufactured and the latter were traders in.

Varvara Aleksivna Morozov, mother of Mikhail and Ivan, was a strong-willed, progressive, free-thinking blue-stockings, but her liberated ideas seem to have produced a contrary reaction in her sons, who espoused deeply conservative views. Mikhail Morozov (1870-1903) was a flamboyant, larger-than-life figure, a writer of articles, history and novels, and a bon vivant who once lost a million rubles in a single night at cards. Through generous donations Mikhail managed to have himself elected to the Synod of the Kremlin's Assumption Cathedral (and, having achieved his aim of annoying his mother, he resigned shortly after).

**A** REACTIONARY in politics, Mikhail was the reverse when it came to collecting contemporary art. Having bought Manet, Renoir, Degas and Monet, he took a strong fancy to Gauguin's work, and in 1900-01 became the first non-French purchaser of the artist's canvases. Triumphantly bearing "Tarari Maruru" (Landscape with Two Goats) and "Te Vaa" (The Canoe or Tahitian Family) back from Paris, Mikhail reveled in the idea of "astounding all Moscow" with them.

After Mikhail's premature death in 1903, his younger brother Ivan (1871-1921) followed in his footsteps, acquiring Impressionist works. And, though an infinitely more sober and cautious character, Ivan fell equally under Gauguin's spell. In 1907 alone he bought eight of his canvases, and

the following year "Café at Arles," from the artist's brief and tempestuous stay there with van Gogh in 1888, the first of Gauguin's non-Tahitian works to come to Russia.

Meanwhile, Shchukin was taking an interest in Gauguin, buying his first canvas in 1903. A vegetarian of simple habits, who preferred to walk rather than use a carriage, Shchukin had begun collecting in the 1890s. The first to introduce Monet and Cézanne to Russia, he was a more naturally-gifted connoisseur than the Morozov brothers. As Matisse later recalled, comparing Shchukin and Ivan Morozov's visits to a Paris dealer: "When Ivan Morozov went to Ambroise Vollard, he used to say: 'I'd like to see a really lovely Cézanne.' Shchukin would ask to see all the Cézannes and make his own choice."

Shchukin eventually bought 16 Gauguins, paying 100,000 francs for one canvas, for which, earlier in the same year, shortly before Gauguin's death, the artist had been offered a mere 1,100 francs. Shchukin daringly decided to display his entire Gauguin collection on one wall of his palatial dining room — "the pictures so close together that it was impossible to tell where one ended and another began."

This extraordinary arrangement, dubbed the "iconostasis," became one of the principal attractions of the house, which was open every Sunday so that the public could enjoy the collection. The Shchukin "iconostasis" points up one of the possible reasons for Gauguin's special appeal to the Russians. The sheer exotism of the Tahitian pictures was certainly part of their attraction, but the artist's rich, warm palette, his strongly delineated human forms and the yellow-gold backgrounds suggestive of Paradise — all key elements in Eastern Orthodox art — also, perhaps, struck a deep, if not fully conscious, chord.



Paul Gauguin's "The Idol," painted in 1898.

As the second part of the show reveals, the sudden influx of so many Gauguins had an immediate and forceful influence on a number of young Russian artists. Particularly impressive is the manner in which some of them, though clearly inspired by the French artist, managed to absorb his lessons and still produce works very much their own.

Natalya Goncharova (1881-1962), for example, took up Gauguin's Tahitian fruit-picking scenes, with their underlying symbolism of the Garden of Eden, innocence and sin, and produced between 1907 and 1909 a charming set of four pictures: "Gathering the Fruit," where, despite the bold outlines and bright, blocked-in colors, the Russian peasants' body gestures while at work are captured with considerable subtlety. And Mikhail Larionov (1881-1964) echoed, but thoroughly domes-

ticated, Gauguin's still-lives and rustic backdrops in his "Window, Tiraspol" of 1909.

It was the Morozov and Shchukin families' ultimate intention to bequeath their collections to the nation, but their plans were overtaken by Bolshevik expropriation (and the great contribution they had made was deliberately obscured). During the 1930s the collections began to be divided between the Hermitage and the Pushkin Museum in Moscow, a process completed after World War II. Meanwhile, judged politically incorrect during the Cold War, Gauguin's canvases were long withheld from public view. Thus it is only in more recent years that the Russian public has been able to rediscover the richness, both in quality and quantity, of their legacy of this marvellous artist's work.

## An Artist Takes Vietnam to the West and Back Again

By Carey Zesiger

**H**O CHI MINH CITY — "It moves. It's alive. It's not a still life. It's 'Les Merveilles de la Mer,' everything which is not human, but lives. The important thing is that it lives."

With her gray hair pulled back in a ponytail and wide, flashing eyes, Diem Phung Thi launches into an animated explanation to a young French visitor at a recent exhibition of her sculptures and collages in Ho Chi Minh City. At age 75 — with the mercury hovering at 35 degrees centigrade (95 degrees Fahrenheit) in the shade — she seems unstoppable.

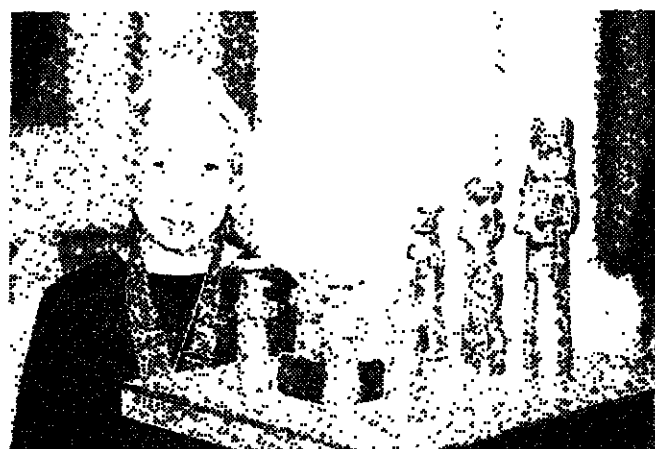
The Frenchman admires the seated Buddha she wears on a heavy chain around her neck, part of a series of jewelry designs she has on display. "You should wear it on you like a prayer," she advises. "In the old days the Vietnamese, like the Chinese, used to write things on little pieces of paper

and fold them up into tiny little packets which they carried against bad luck," she explains. "That is my sculpture. It is going to guard against bad luck."

Life has brought her a healthy dose of luck, both good and bad. She was paralyzed in 1948 after receiving an injection of Vitamin C and airlifted to France for treatment. She stayed on to study dentistry, but found her calling in sculpture some 20 years later when she took a few classes in applied art. "I've had several lives," she says. "One is richer than the way."

Even with her philosophical outlook, such varied lives are not always easy to reconcile. "I live in France, but I am Vietnamese and the feel of being Vietnamese is even more accentuated abroad than at home."

In the art world too, cultural differences can be vast and difficult to bridge. In the West she can fit herself into a tradition of modern and contemporary artists, drawing inspiration from diverse sources and fusing them into her personal expression. But Vietnam's art world cannot



Diem Phung Thi showing some of her sculptures.

accommodate her so easily. In a country where the artist's role, until quite recently, has been to support the Party and its struggles against foreign aggressors, her strident individualism sounds a virtual call to arms. Her art is about playful experimentation, building meaning out of simple shapes by repeating them over and over like characters from a personal alphabet.

"Sometimes people complain they don't understand. They don't know what to make of me, but they feel something. Something of Vietnam, of the past," she says.

Ironically, she became one of the first Western artists to show

her work in postwar Vietnam, in 1978. She happened to be exhibiting her work in Saint-Etienne when Prime Minister Pham Van Dong arrived in France on an official visit in 1977. Thinking the exhibit had been staged in his honor, he issued invited her to bring her work to Hanoi. She says she "jumped at the opportunity," making arrangements for an exhibition through the state Artists' Association. They offered her a sleepy little museum that rarely received a dozen visitors a day. She filled it with an eclectic assortment of sculptures and suddenly it was swamped. The parking attendant counted six or seven hundred bicycles a day.

"I was a big splash," she recalls, "because the country was not open yet. It had never been done. There were no foreign things here and I displayed works that were completely foreign. At the time, Vietnamese art was exclusively Socialist Realism and I came along with something different and everyone was intrigued to see it."

Even today as the arts in Vietnam become freer and more open to influences from outside, Diem still feels somewhat out of place. She has established an art foundation and

museum in Hue to exhibit some of her own works and conduct tours and workshops aimed at encouraging creativity in young artists and school children. Still, she feels she is engaged in an uphill struggle.

"Art in Vietnam is very structured," she explains. "A sculptor here has to spend a lot of time to earn a diploma and in this country whatever does not have a diploma does not have any value."

As Vietnam opens its doors wider to foreign investment and sets its sights on development and modernization, Diem has begun to look back to the simpler things in life. "There are people who speak of history and others who think only of modernity," she says. "This is the modern world," she says with a note of exasperation. "I think this country will become like the developed nations, and I think this is truly, truly a shame because the Vietnamese are a very poetic people, a very romantic people, but people skip over this. Because to be a true romantic is to be of the 19th century and here they are preparing for the 21st century."

Carey Zesiger is a journalist who writes about Asia.

## Windsor Castle On Mend, After Controversy

By Peter Watson  
New York Times Service

**L**ONDON — Windsor Castle is probably the most beautiful and best-known asset Britain's royal family possesses. So, when the building was disfigured by fire, in November 1992, people everywhere were touched by the accident.

Now, two and a half years later, Windsor Castle is on the mend. All the damaged rooms are scheduled to be finished by the spring of 1998. The restoration should have been one of the most interesting architectural projects in the whole country.

When the plans were recently announced for the new designs at Windsor Castle, there were groans and yelps from the modernists. The plans approved by the palace were denounced as "ghastly," "suburban" and "a Gothic shocker."

Roderick Grady, a modernist architect, even produced radical plans for striking new structures at Windsor Castle using glass and other modern materials. These would have had a similar visual effect on the building that I.M. Pei's glass pyramid has had on the Louvre in Paris. And would have proved equally controversial.

The fire was caused when either an arc light or a transformer belonging to workmen doing ordinary refurbishments set fire to a curtain.

**E**ARLIER this year the final plans for the new rooms, worked out between the winning firm, Sidell Gibson, and the Prince Charles's design committee, were revealed. Modernist architects despaired that the designs were not more radical.

Whether you regard the solution as a surprise, as sympathetic to the rest of Windsor Castle, as suburban or as "something else" — all words used to describe the decision — almost certainly depends on where you stand on modern architecture.

Modern architecture is, as we say, not everyone's cup of tea in Britain. More important, it is not Prince Charles's cup of tea. It was he who described a proposed addition to the National Gallery in Trafalgar Square as "a carbuncle on the face of the nation."

His view prevailed and the extension was redesigned before it was built. Since Prince Charles is chairman of the committee that chose the winning architects and had great influence over the finished designs, it is scarcely surprising that those designs have disappointed the modernists.

And yet Giles Downes, the bearded, soft-spoken partner of Sidell Gibson, disputes the suggestion that his designs are not modern. They are not modernist maybe, but, he says, they are very up-to-date.

The company suggested three things: widespread use of the ogive, or Gothic arch, and Gothic geometry, the use of medieval allegory and symbolism for the proportions and decoration of the new rooms and the use of natural materials — especially timber — rather than modern or industrial synthetics.

A good example of the use of Gothic ideas is seen in the most striking of the three new structures that Sidell Gibson is building: the octagonal antechamber, partly on the site of the old private chapel, between St. George's Hall and the Crimson Drawing Room. Its very shape, an octagon, is a medieval symbol of man.

The centerpiece of this octagon is a timber umbrella made of eight oak columns, each supporting a fan of 25 ribs designed oak in the form of giant leaves, also arranged according to medieval geometry.

**T**HE floor of the octagon will be inlaid timber of different colors again arranged according to medieval number symbolism but this time all related to the Order of the Garter.

Thus there will be 26 small octagons set within an eight-pointed star. The 26 octagons refer to the 26 Knights of the Garter, with the eight-pointed star being the badge of the Garter and the symbol of the material world. The octagon will house paintings from the royal collection.

The new private chapel, replacing the old Holbein Room, which held the artist's royal portraits, will have as its chief feature a Gothic vaulted ceiling, each vault formed as if from angels' wings. These will be fashioned of steam-bent ash rather in the manner that rowboat oars are made.

This is perhaps the most risky of the new structures. It could look striking. It might resemble a chapel in Euro Disney.

Peter Watson, author of "From Manet to Manthan: The Rise of the Modern Art Market," wrote this for The New York Times.

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Friday, June 16, 1995

**Room 7** at 3 p.m. — OLD MASTER PAINTINGS. Expert: M.E. Turquin. On view: Thursday, June 15, from 11 a.m. to 6 p.m. Friday, June 16, from 11 a.m. to 12 a.m. Please contact: Florence Grassano (ext. 347), Etude TAJAN, 37, rue des Mathurins, 75008 PARIS. Tel: (1) 53 30 30 30 - Fax: (1) 53 30 30 31.

Saturday, June 17, 1995

**Room 9** at 2 p.m. — EXCEPTIONAL BOWLS: VIOLIN, ALTO, CELLO OF GREAT FRENCH MASTERS. Expert: M.E. Turquin. On view: Thursday, June 15, from 11 a.m. to 6 p.m. Friday, June 16, from 11 a.m. to 12 a.m. Saturday, June 17, from 11 a.m. to 12 a.m. Etude TAJAN, 37, rue des Mathurins, 75008 PARIS. Tel: (1) 53 30 30 30 - Fax: (1) 53 30 30 31.

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Monday, June 12, 1995

**Salon "Vendôme"** at 8 p.m. — MAJOR OLD MASTER PAINTINGS — André COMBES COLLECTION AND OTHER OLD MASTERS. Expert: M.E. Turquin. On view: Hotel George V (Salon "Vendôme") Saturday, June 10, from 2 p.m. to 8 p.m. Sunday, June 11, from 11 a.m. to 8 p.m. Monday, June 12, from 11 a.m. to 8 p.m. Please contact: Florence Grassano (ext. 347), Etude TAJAN, 37, rue des Mathurins, 75008 PARIS. Tel: (1) 53 30 30 30 - Fax: (1) 53 30 30 31.

Tuesday, June 13, 1995

**Salon "Vendôme"** at 8 p.m. — FROM A PRIVATE PROPERTY. FINE 17th, 18th, 19th Cent. FURNITURE AND OBJETS D'ART. Experts: MM. O. Le Pail and R. de l'Espey, M. J.P. Dille, M. G. Dille, M. J. Saint-Bris. On view: Hotel George V (Salon "Vendôme") Saturday, June 10, from 2 p.m. to 8 p.m. Sunday, June 11, from 11 a.m. to 8 p.m. Monday, June 12, from 11 a.m. to 8 p.m. Please contact: Catherine Yalche (ext. 321), Etude TAJAN, 37, rue des Mathurins, 75008 PARIS. Tel: (1) 53 30 30 30 - Fax: (1) 53 30 30 31.

**Salon "Vendôme"** at 8 p.m. — IMPORTANT 18th and 19th Cent. PAINTINGS AND SCLPTURES FROM Rene de Montaleu, Mrs. A. ESTATES AND OTHER COLLECTORS. Experts: Cabinet d'expertises Camard, MM. A. Paillet and A. de Louvencourt, Mrs. M.A. Paillet, M.E. Paillet. On view: Hotel George V (Salon "La Paix") Saturday, June 10, from 2 p.m. to 8 p.m. Sunday, June 11, from 11 a.m. to 8 p.m. Monday, June 12, from 11 a.m. to 8 p.m. Please contact: Catherine Yalche (ext. 321), Etude TAJAN, 37, rue des Mathurins, 75008 PARIS. Tel: (1) 53 30 30 30 - Fax: (1) 53 30 30 31.

Wednesday, June 14, 1995

**Salon "La Paix"** at 8 p.m. — IMPORTANT GROUP OF PORCELAIN OF MOUTIERS — 18th Cent. EUROPEAN AND FRENCH PORCELAIN. Expert: M.E. Turquin. On view: Hotel George V (Salon "La Paix") Saturday, June 10, from 2 p.m. to 8 p.m. Sunday, June 11, from 11 a.m. to 8 p.m. Monday, June 12, from 11 a.m. to 8 p.m. Please contact: Catherine Yalche (ext. 321), Etude TAJAN, 37, rue des Mathurins, 75008 PARIS. Tel: (1) 53 30 30 30 - Fax: (1) 53 30 30 31.

Friday, June 16, 1995

**Salon "La Paix"** at 8 p.m. — IMPORTANT 18th and 19th Cent. FRENCH OLD MASTERS. Expert: M.E. Turquin. On view: the expert: Librerie Thomas Schuler, 19, rue de la Harpe, 75001 Paris. Tel: (1) 48 20 07 00 - Fax: (1) 48 20 07 01. On view: Hotel George V (Salon "La Paix") Saturday, June 10, from 2 p.m. to 8 p.m. Sunday, June 11, from 11 a.m. to 8 p.m. Monday, June 12, from 11 a.m. to 8 p.m. Please contact: Catherine Yalche (ext. 321), Etude TAJAN, 37, rue des Mathurins, 75008 PARIS. Tel: (1) 53 30 30 30 - Fax: (1) 53 30 30 31.

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1939: The Lost World of the Fair

By David Gelernter. Illustrated. 418 pages. \$25. Free Press.

Reviewed by Christopher Lehmann-Haupt

**C**ONSIDERING that the 1939 New York World's Fair envisioned a future of cars, superhighways and technological triumph, one can understand why a contemporary observer might not look back at the event with feelings of nostalgia.

Yet that is exactly what David Gelernter does in his new book, "1939: The Lost World of the Fair," which is part fiction, part history, part sociology and part prophecy.

He argues that in certain respects the time of the fair was a better one than today and that part of what we have lost in the meantime is the vision that inspired the fair.

What we have lost, he writes, is the optimism that the fair embodied, even at a time when

the American economy had barely started up again and Europe was facing catastrophic war.

As the fictional Hattie Levine puts it in an imagined interview with the narrator: "The fair had a remarkable mood and feel to it. At least for us. It was an air of... I don't want to lapse into rosy romanticism. I'm skeptical of it. But what I want to say is, acute hope."

The fictional parts of "1939" are a surprise coming from Gelernter, a professor of computer science at Yale and the author of two previous books, "Mirror Worlds: Or the Day Software Puts the Universe in a Shoebox," and "The Muse in the Machine."

They are built out of conversations with Mrs. Levine, who is obviously a composite of actual people who recall the fair, and out of selections from a diary the author invents for her.

The novel within "1939" serves the useful purpose of giving us a spectator's view of a day at the fair, from a ride through General Motors' Futurama, one of the fair's great hits, to a parachute jump on the machine that today stands unused at Coney Island.

Gelernter's points are also far better made in the nonfiction parts of his book. Here he argues

that the technological vision that informed the fair amounted to a "civic religion" that "made eschatological predictions: It promised a utopian future to believers, in the end of days."

The author continues: "And then an amazing thing happened — a thing without parallel, so far as I know, in the whole history of religion: In the years following the Second World War, those utopian promises came true."

Americans got the cars, the highways and the suburban homes equipped with gadgetry that the fair promised, the author contends. "It's not utopia, we point out, it's just suburbia," writes Gelernter, imagining a dialogue between today and 1939. "But that is what we longed for, says 1939, and you have got it. Promise made, promise kept."

Yet having achieved the dream, people lost the vision, the author says. Having entered the future, they lost a view of the future. This explains why in a better time, we feel worse. "Religion is above all a matter of seeing," he adds. "Today, by dint of achieving the utopian future, we have lost our faith and see nothing."

Christopher Lehmann-Haupt is on the staff of The New York Times.

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## BOOKS

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# A 2d Generation Unraveling Enigmas of Thai Art History

**B**ALTIMORE — In one big swoop, one of America's foremost museums, the Walters Art Gallery, has firmly placed itself on the map as the center for Thai art studies outside Thailand.

A temporary display, on view until Aug. 20, is giving Baltimoreans an idea of the scale of the donation made by the Breezewood Foundation to honor the memory of

## SOURIN MELIKIAN

Alexander B. Griswold, the Baltimore scholar who became a towering figure in Thai art studies following years of passionate collecting.

Griswold, who was educated at Princeton, came from the Baltimore family that founded Alex. Brown & Sons, the oldest banking firm in America. The banker stumbled upon Thai art by accident at the age of 38. This might never have happened had he not been an army officer attached to the OSS, who was parachuted into Bangkok in August 1945. Within a year, he was buying his first Thai sculptures and, after being released from his military duties, he kept going back and forth between the United States and Bangkok, where he maintained a palatial residence.

The financier was impressed by the sacred images, the Buddhist ritual and the whole way of life in this corner of the Far East — so impressed that, in 1948, he decided to devote all his time to Asian studies. Hiram W. Woodward Jr., curator of Asian art at the Walters Art Gallery, said in an interview that Griswold's book "Dated Buddha Images of Northern Siam" remains the reference work on the Lan Na school of sculpture, which flourished in the 15th century.

Griswold was no ordinary academic or collector. His art board, which he kept in a wing of his home at Breezewood near Monkton in Baltimore County, was opened to the public in 1956. The year after, he set up the Breezewood Foundation to support Thai studies, and over time, transferred the entirety of his collection to the foundation.

Each year, Griswold held a three-day seminar at his home open to Thai art students and took them to the Thai wing, which he called "the Museum." The

banker became a visiting professor at Cornell University. He stood out as the grand master of Thai art history in the West. But the driving force was his love of the art, not pedantry. Had he not been overtaken by illness, Griswold would almost certainly have given his hoard away to a museum as the foundation effectively did on his behalf in 1992, one year after he died.

The beneficiary, however, need not have been the Walters. While in full possession of his means, Griswold made important art donations both to the Walters Art Gallery and to the Cornell University Museum. The factor that probably tilted the foundation's decision was the presence of Woodward at the Walters as a curator of Asian art. His own love affair with Thai culture reads like a replay of Griswold's, one generation later. He too was parachuted, if only metaphorically, into Thai art.

Having decided after his undergraduate years at Harvard to join the Peace Corps and learned that his assignment was Thailand, the young Baltimorean went to see Griswold in 1962. As with Griswold, exposure to Thai culture, from 1963 to 1966, marked Woodward for life. He learned the language, came back to engage in formal Thai studies, and in turn became the leading Western scholar in Thai art history — which, for now, remains one long succession of enigmas.

**H**OW the Thai speakers came to leave southern China from about the year 1000 A.D., or why, has yet to be explained. The details of their intermingling with the Mon-speaking natives or the Khmers of the eastern districts escape us. Of the penetration of Buddhism and Hinduism, which probably started in the sixth century A.D., little is known except for the art. The great place seems to have been the Mon-speaking kingdom of Dvaravati in Central Thailand. A Chinese source says it paid tribute to China in 638 and two silver coins have confirmed the Sanskrit form of the namesince Samuel Beal first reconstructed it hypothetically in 1884 from the Chinese form "To-lo-po-ti".

Sculpture suggests a high level of sophistication. A remarkable headless figure of a standing Buddha dating from the seventh or the eighth century A.D. offers a

curious blend of archaic elongation and mannerist grace in its swaying movement.

Another standing Buddha of the same period, broken below the waist, shows how close the conventions were to their Indian source and how utterly different their aesthetic handling could be. With its expression of serene concentration, eyes cast down, lips ever so slightly parted, the Buddha belongs to a different world.

**P**ILGRIMS carrying devotional figures played a significant role in the transmission of styles. A fine bronze figure of a seated Buddha resembles eighth-century sculpture from Bengal under the Pala dynasty. But, Woodward said, the inscription incised on the back in the Nagari script betrays the scribe's lack of familiarity with it, possibly pointing to local execution. A 16th-century replacement for the broken base was cast as a sign of respect for the icon when it was found in some cache.

Another strong strain of influence came in from Sri Lanka as a small standing Bodhisattva strongly suggests.

From the 10th century on, the overwhelming influence came from Cambodia. Two astonishing bronzes, one of the eight-armed Bodhisattva Avalokitesvara, standing, the other of the four-faced Brahma, seated, cross-legged, have Khmer features and look like Cambodian bronzes of the late 12th century — the former with good reason. In 1191, King Jayavarman VII sent out from his capital, Angkor, replicas of a similar standing Buddha in sandstone to 23 cities, some in present-day Thailand. Whether the bronze reductions were executed locally or in Angkor is hard to tell for now.

Things may change. Woodward and the conservation laboratory launched jointly with Professor Chandra Reedy of the University of Delaware a scientific program intended to analyze large numbers of clay cores inside bronze casts using as many as 30 different characteristics — such as, for instance, rice chaff. The program extends to stone analysis. "We are pioneers in the field," Woodward says with his habitual mix of gloom and gleam.

The second generation of American scholars in Thai art history would appear to be well on course.



Bronze figure of Brahma from the late 12th century, Thailand or Cambodia.

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# Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

## Cautiously, With NATO

In war, the capture of one's soldiers is considered a hazard of the military enterprise and is dealt with as a priority, but not the most urgent. But in the strange in-between-land of UN peacekeeping in Bosnia, where soldiers are put in harm's way without being provided the means for their protection, the captives are due urgent consideration. The Bosnian Serbian regime says it is treating them as "prisoners of war." It is not. Prisoners of war are entitled to certain well-known protections of a sort denied the men shackled to possible military targets. If they are not to be released instantly, as they should be, they are due at the least safety, decent treatment and communication with the international agencies.

The arrogant Serbian regime offers to negotiate their liberty in return for UN guarantees of no more air strikes. That is blackmail. A United Nations that paid it would only disgrace itself and invite further assaults on its dignity and its operational capability. The Serbs are due no favors merely for undoing a flagrantly abusive act that they were wrong to commit in the first place. Every day the prisoners are detained deepens the original offense and earns the Serbian authorities more shame.

The NATO nations, which provide most of the peacekeepers in Bosnia, are augmenting and regrouping their forces to make them more defensible. This is a necessary stopgap measure and buys time for decisions on whether and how to continue a more robust mission based on a more realistic awareness of the military risks.

So far, Washington has sent no ground soldiers to Bosnia. Now President Bill Clinton is considering the dispatch of combat troops to help NATO consolidate and strengthen its forces. This would constitute a major and a risky new undertaking. The president would be foolish to proceed without full consultations with Congress, which will surely insist, at a minimum, that American troops be under NATO, not UN, command. But it is not intrinsically a bad idea. It would put the United States in the position of sharing its closest allies' burden and would give its voice a stronger hearing in their councils. Whatever policy choices are finally made would have the added weight of having been made by the alliance. That will be a source of strength if the alliance proceeds further down a military path and a source of political reinforcement if it does not.

—THE WASHINGTON POST

## A Test for Chile's Future

Every country that climbs from despotism to democracy must deal with the crimes of its former government. The results are rarely satisfactory. A failure to pursue these cases amounts to a tacit amnesty for torturers and murderers. But new democracies often hesitate to go vigorously after the offenders, fearing to divide their people and reignite old enmities. Chile's prosecution of the two generals responsible for the assassination of Orlando Letelier in Washington in 1976 is a conspicuous exception to the general rule.

Mr. Letelier, a former Chilean ambassador to the United States, was an outspoken and effective opponent of the repressive military regime that took over Chile in 1973. He and an American colleague, Ronni Moffitt, were killed by a car bomb one morning three years later as they were driving to their office. The United States angrily demanded Chilean cooperation in the investigation, but got very little action until military rule collapsed in 1989 and was replaced by an elected government. It put on trial the former head of the secret police, General Manuel Contreras Sepulveda, and his deputy, Brigadier General Pedro Es-

pinoza, who were found guilty of organizing the bombing and sentenced, respectively, to seven and six years. This week Chile's Supreme Court upheld the conviction. But General Contreras defiantly declares, from his ranch, that he will never go to prison. That confronts the government with a difficult question: The army has stayed out of this case, but it is less than totally reliable.

The Letelier murder is important not only to Chile's past but to its future. As a crime, it is no greater than any others among the thousands of murders committed under the military regime. But it was more spectacular, and, because it was in Washington, it gained international notoriety. It is one of the very few political murders that has actually been prosecuted by the elected government.

That puts additional responsibility on the government to carry out these sentences — which are hardly severe in proportion to the crime. As it is working out, the Letelier case has become the surrogate for the other human rights cases that the current government, for political reasons, has chosen not to pursue.

—THE WASHINGTON POST

## Dole's Transparent Attack

As campaigning for the Republican presidential nomination intensifies, Senator Bob Dole's efforts to attract conservative support are increasingly transparent. His latest bit of pandering to the right was the harangue against the entertainment industry for undermining American values with violence and music that glorify violence. Violence in American society is a serious issue that calls for considered public debate, not the kind of blatant political jockeying practiced by Mr. Dole this week in Los Angeles.

Mr. Dole seems determined to leave no volatile social issue untouched in his drive to win the allegiance of cultural conservatives and religious activists. He has used the nomination of Dr. Henry Foster as surgeon general to polish his anti-abortion credentials and has pushed for repeal of assault-weapons restrictions approved by Congress last year to show his mettle against gun control. Now, following Dan Quayle's dubious example, he has bashed Hollywood with a visceral attack designed to score easy political points at the expense of his primary opponents.

Coming from Mr. Dole, the broadside against the entertainment industry is particularly hard to take. Any serious dis-

cussion about violence in America must begin with the guns used to kill or maim thousands of citizens each year. It is hypocritical for him to attack violent movies and lyrics while ignoring or condoning the ever-increasing availability of guns. If Mr. Dole is serious about reducing violence, he should be trying to get guns off the streets. Repealing the assault-weapons ban is hardly the place to start.

There is much in the movies and in hard-core rap music that is disturbing and demeaning to many Americans. Rap music, which often reaches the top of the charts, is also the music in which women are degraded and men seem to murder each other for sport. But no one has ever dropped dead from viewing "Natural Born Killers," or listening to gangster rap records. FBI statistics show that more than 16,000 Americans were murdered with firearms in 1993, the last year for which figures are available.

Politicians have a right to talk about American values and culture, and an intelligent discussion would be welcome. When they merely manipulate the issues for political purposes they cheapen both the issues and themselves.

—THE NEW YORK TIMES

## Other Comment

### China: A Dangerous Road

Should the claim that the U.S. visa was granted only to enable President Lee Teng-hui to Taiwan to undertake a private visit to Cornell University, his alma mater, be taken seriously? Regardless, the visa signals a reversal of 16 years of U.S. policy toward China and Taiwan. Not surprisingly, Beijing's reaction has been swift. Discussions on missile proliferation and nuclear energy cooperation have been put on hold.

In recent weeks, Chinese leaders have indicated that they suspect the United States is developing a strategy of "containment" through the deployment of an anti-missile system in the Pacific to neu-

tralize Beijing's strategic arsenal, and through weapons sales to Taiwan. Beijing's inability to join the World Trade Organization due to U.S. objections has not helped the relationship. Now the U.S. Congress is working on a bill to force the Clinton administration to recognize Tibet as an "occupied sovereign country." If that bill gets passed, it will strike at the core of Chinese sovereignty and Beijing can be expected to retaliate with policy initiatives which will hit U.S. interests in the Asia-Pacific region. President Clinton seems prepared to trade off Congress's foreign policy initiatives against domestic concerns that could enhance his re-election chances. This is a dangerous road.

—BUSINESS TIMES (Singapore)

## Neither Munich Nor Vietnam

By Flora Lewis

PARIS — The time of hard choice on Bosnia can scarcely be put off any longer. At each stage of the war in ex-Yugoslavia the powers have devised time-buying measures so as to appear to be responding to crisis without taking basic strategic decisions. The unspoken hope was that somehow the belligerents would tire of fighting and sort themselves out.

The fact was never faced that people responsible did not value peace for its own sake above the conflicting goals that drove them to war. At each stage, the ambiguous intervention, the firmly worded but scarcely applied resolutions, the blame-shifting, assured that the inescapable choice deferred would be harder and more onerous.

But there is no going back to be braver, wiser, more effective at yesterday's price. The dilemma has to be confronted where it stands. So far the powers are showing unusual determination. Essentially, the debate outside Yugoslavia is which precedent more closely applies: Is it Munich or Vietnam?

Is the "far-away country nobody can find on the map" (in Chamberlain's words) a matter of principle whose abandonment threatens much greater disaster to those who remain indifferent, or is it a place best left to its own demons, where it is arrogant to assume we have a vital interest to impose?

The Bosnians, as the French conveniently call the forces of Radovan Karadzic, have all but formally declared war on UN troops, denying that men they hold at gunpoint or shackled near ammunition dumps are hostages and claiming they are "prisoners of

war." That is intolerable. But they are getting away with it based on the so far proven premise that the United Nations would rather swallow humiliation than get into a fight on the ground. Now they offer to "negotiate" release of the hostages in return for a guarantee of impunity against any UN use of force and "demilitarization" — that is, sacrifice — of Bosnian "safe havens."

The British and French are saying, quite rightly, that their remarkably disciplined soldiers cannot be left in militarily indefensible positions.

They were put there in the first place because their mandate was only to shield civilians and at most defend themselves, though without the means to do so.

But to pull them together to hunker down makes their presence worse than pointless. Prime Minister Alain Juppé of France says a political solution that would both rescue and justify them is "centimeters away."

That is almost certainly another illusion. It is based on the assumption that luring President Slobodan Milosevic of Serbia into recognizing Bosnia's state border with the promise of lifting the embargo on Serbia would so isolate the Bosnians that Mr. Karadzic would accept the current partition plan for Bosnia and the Sarajevo government.

That is unlikely. Mr. Karadzic was the creature of Mr. Milosevic to begin with, but that is no longer evident. And if sanctions are lifted in this context, it would only demonstrate to other Serbs that Mr. Karadzic is the

shrewder, more resolute leader and that his defiance pays.

Simply withdrawing outside force would not only ensure a worse bloodbath, also involving UN casualties. It would flaunt the inability and unwillingness of the powers, whether as UN leaders, as NATO or on their own, to resist audacious confrontation.

Yet, this isn't really Munich. He is mad, mean and cruel, but Mr. Karadzic is not Hitler with dreams of ever greater conquest. Nor is this Vietnam, as some American editorialists suggest with their insistence on keeping American soldiers out of the "quagmire."

With heavy heart, because we cannot start over and correct past mistakes, I think the United States will have to send troops to help make the UN force effective enough to be credible.

This means changing the mandate to include resisting attack and at a minimum keeping air supply routes open to Sarajevo and besieged enclaves; but on the condition that a serious political proposal is made to achieve a compromise, not just another shatter-sure case-fire.

I am convinced that the best and most lasting approach would be to seek a new Yugoslav confederation, offering the Bosnians and the Serbs of Croatia ties they seek with Belgrade while maintaining sovereign autonomy of Bosnia and Croatia in existing borders.

It is only in a larger context that this tortured land can find salvation. In any case, the stakes keep escalating. The choice must be made. There are no easy answers, but both Munich and Vietnam are bad ones.

© Flora Lewis

## Youngsters Saving the Elders' Egos

By Bob Herbert

NEW YORK — Just turn the page, change the decade — nobody ever learns.

A photo of frightened French soldiers being held hostage near Sarajevo reminded me of the young men I served with as a draftee in the mid-1960s, at the height of the Vietnam buildup.

On my first day in boot camp, I was stunned to see that the other recruits all looked as young as I. We were babies compared with the tough, leather-skinned veterans of the war movies we had grown up with. This was real life. Young boys with frightened faces heading off to the unknown.

I was lucky. While others went to Vietnam, I was sent to Korea. That's where I would get the letters saying this friend or that friend had died.

"There are things you cannot quantify," says Robert McNamara in his book, "In Retrospect," "honor and beauty, for example. But things you can count, you ought to count. Loss of life is one when you are fighting a war of attrition. We tried to use body counts as a measurement to help us figure out what we should be doing in Vietnam to win the war while putting our troops at the least risk."

He was talking about the enemy body count. In Korea, with each sorry bit of news that made its way to us from Vietnam, we kept our own body count. Young boys with frightened faces.

Vietnam was a political and public relations pit from which the major egos of the era could not satisfactorily extricate themselves. In the service of those egos, tens of thousands of young people had to do their duty and allow themselves to be sacrificed. Now we are told it was all a mistake.

Fast forward to the madness of October 1983. Ronald Reagan and his advisers, enmeshed in an incoherent Middle East policy, and ever ready to do something that would make them appear tough, had stationed 3,000 ill-defended marines in

Beirut. When a suicide bomber in a truck blew up their barracks headquarters one morning, 241 young marines and sailors were killed.

Another mistake.

Three days later the United States invaded Grenada. "We got there just in time," said Robert McFarlane, Mr. Reagan's national security adviser. Just in time, that is, to shift the headlines away from the Beirut debacle.

The next day, the president went on television to blame everything on the Russians. "Not only has Moscow assisted and encouraged violence in both countries," he said, "but it provides direct support through a network of surrogates and terrorists." The situation in Lebanon, Mr. Reagan added, was absolutely vital to U.S. interests.

Not quite. The marines were soon withdrawn. Now we have Bosnia. Having refused to stand up to wanton aggression and genocide, the NATO allies are now, like Lyndon Johnson and Robert McNamara, trying to figure out what to do with an enemy who won't listen to reason and whom they are unwilling to defeat. This fumbling about for a win in a no-win situation is being carried on in embassies and cocktail parties while "peacekeeping" troops and civilians are subjected to terrible assaults and humiliations.

The UN troops in Bosnia are doomed in the sense that they can never prevail. Troops are trained to fight wars and should be led by commanders who want to win. Forget the peacekeeping euphemism. You can't keep the peace with an enemy capable of genocide. You fight to win, or you get out. In Bosnia, as in Vietnam, the politicians are unwilling to concede defeat. They are searching for a political solution, a way to save face. Meanwhile, you have youngsters in a danger zone, doing their duty, which is to sacrifice themselves in the service of the egos of their elders.

The New York Times

## Trade Liberalization: A Growing Backlash Around the World

By William Pfaff

CAMBRIDGE, Mass. — The "globalization" of national economies, so enthusiastically promoted by American government and business today, amounts to an ideological form of Western imperialism, to which the rest of the world is compelled to react. It now is meeting significant opposition, expressed in political as well as economic terms.

The pattern is familiar. The center of Western power — the United States today, Britain yesterday, Spain before that — attempts to impose upon others its own vision of how the world should be ordered. A workshop, mainly composed of senior economic historians, convened recently at Harvard by the Luxembourg Institute for European and International Studies, asked why some countries are rich and some so poor. It found a part of the answer in the fact that the modern world is largely of Western invention, as are the industrial techniques for making a society rich.

It is politically incorrect in many American academic circles to speak of the West's originality, while highly correct to talk about Western imperialism. Unfortunately the two are aspects of the same thing.

The West's imperialism was not a criminal enterprise, as some believe, but a natural product of the West's sense of mastery over things and nature and its conviction that its ideas are universal ideas that are valid for every society everywhere.

Other societies have since the 15th century had a choice: to imitate the West, or to reject it and pay the price for doing so. The

Luxembourg Institute meeting provided testimony that in today's case the option of rejection is again being considered by elites in important countries.

In Japan, under constant assault from the United States to open its markets, there is current concern not only that America's trade demands are impossible to meet within the framework of Japanese society and economy, but also a fear that Japan's economy may become "hollowed out" by the competition of cheap labor in Asia's poorer countries.

Some in Japan's leadership thus are determined to resist the globalizing forces. They consider the example of what has happened to American industry and the American labor force in recent years a dissuasive rather than persuasive example of the consequences of trade liberalization.

Japan's national development has always been conducted on its own terms rather than those dictated by others. The Japanese took from the West in order to create their own version of industrial society. Their purpose has been to become able to deal with the West on equal terms.

Both those efforts provoked Western hostility, particularly that of the United States. Mickey Kantor and Bill Clinton do not realize it, but they are acting in just the way American political leaders and economic policymakers did in the prewar years, once again provoking an agitated reaction among the Japanese.

A Russian at the recent meeting described the last few years in his country in terms of national

humiliation. First came the collapse — deserved, he agrees — of the Soviet system and of the doctrine that had governed Russia's actions since 1918.

That was followed by a chaotic and caricatural economic Westernization, producing robber capitalism and inviting Russia's exploitation by Western interests. At the same time many ordinary Russians have experienced falling living standards, and a certain demoralization of Russian society has taken place.

He spoke of the times when Russia was isolated, and pursued its own course, as the best and most confident periods in its history. One may wonder if that is really true, but the sentiment expressed is very important. Once again an unconsidered and largely self-interested foreign intervention is generating negative consequences among thoughtful people, and not merely among demagogic nationalists — although the latter profit from this.

The West's aggressive promulgation of its ideas and values has in the past produced both good and some extremely bad results. World wars and universal ideologies are characteristic Western products. Other cultures have been undermined and destroyed because of the West's thoughtless conviction of the natural superiority of its own ideas. Material success has produced arrogance.

However, the West's domination was in the past achieved over relatively weak societies. Neither Russia, China nor India in the 18th and 19th centuries had the confidence or resources to im-



## They Leave China Free To Pick and Choose

By Jim Hoagland

WASHINGTON — The story is unfinished, awaiting dramatic and uplifting resolution. The issues for once are clear, not bathed in ambiguity and trade-offs. For these reasons, and more, the sixth anniversary of the Tiananmen massacre arrives with fresh impact and meaning.

China is complicated only if you need to make it complicated, as Western diplomats, trade negotiators and lobbyists do. Otherwise the continuing struggle between a decomposing Communist regime and people who demand no more than democracy and dignity is a straightforward affair.

But this June 4 finds the Clinton administration in hot pursuit of complexity. Washington responds to new expressions of Chinese belligerence not by rethinking its badly flawed "comprehensive engagement" approach, but by emphasizing the need to avoid "confronting" Beijing.

This occurs even as China tightens the screws on dissent and economic reform at home and expands its regional military reach. But China already engages in an escalating confrontation against a U.S. government Beijing views as weak, if not pusillanimous. To confront, or not to confront, is not the question for Washington. China has already made the choice. America's options are to respond firmly or to respond weakly.

The administration's high policy thinkers do not seem to believe that governments are destined to behave internationally as they behave toward their own citizens. Deng Xiaoping & Co. can behave responsibly and morally internationally even as they murder, torture and jail their own people for peacefully asking for democracy, the enhancers would contend.

But look again at the tiff over the visa Washington at first refused and then granted Lee Teng-hui, Taiwan's president, to attend a class reunion at his alma mater, Cornell University. Instead of seizing the high ground long ago and granting the visa as a matter of principle and decency, the administration found a way to wind up with the worst of all worlds.

Beijing's reaction? It cancels its participation in U.S.-sponsored missile control talks. Other military-to-military contacts, sold by the Clinton administration as needed to encourage China to behave responsibly in international affairs, are put on hold. Chinese engagement on military and arms control matters is purely tactical. Cross us, Beijing says, and we will increase

missile exports to punish you. At the same time, a high-level Chinese government economic delegation went through its visit to Washington last week, seeking new loans and investment. The Clinton policy on China lets Beijing pick and choose, gathering economic benefits that serve its interests, even as reliable reports intensify that Beijing's central planners are reasserting their control over what private entrepreneurs can and cannot do.

Remember the hoopla over China agreeing to shut down seven compact disc factories that were pirating U.S. copyright material after Trade Representative Mickey Kantor threatened sanctions? The International Herald Tribune reported Friday that six of those factories have quietly reopened. Mr. Kantor's office says only that it is "studying" a deception it must have known about but this time did not publicize.

While America pursues cooperation, China's military has increased its budget substantially, "causing growing concern among China's neighbors," as a report by the nonprofit Atlantic Council cautiously observes. China has used its new muscle to step up its claims to the South China Sea atolls known as the Spratlys. China's new defiance over the Spratlys sparked a brief debate in the administration over the merits of "confronting" or "engaging" Beijing.

The outcome was a carefully worded statement that put Beijing on notice that Washington would not be indifferent to trouble in the Spratlys. That made the Chinese more cautious. But the administration decided to keep wooing China rather than using diplomacy or economic pressure to moderate its behavior.

Six years ago, in the days leading up to the slaughter ordered by Mr. Deng and his lieutenants, I stood in Tiananmen Square and listened to students argue the same broad question: How should they deal with the Deng dictatorship? There were hotheads calling for confrontation and revolution. But in general the students opted for persuasion, dialogue and peaceful protest.

In the end it made no difference. The Communist gerontocracy that rules in the name of Lenin and Mao made its own decision and wrote it out in blood. Governments should not fool themselves: Beijing will behave internationally in the same fashion if it feels it has something to gain.

The Washington Post

### 1895: Marti Not Dead

NEW YORK — Telegraphic despatches have been received here today [June 2] from General Gomez by Senor Guerra, the Cuban treasurer for the insurgents in the United States, declaring that the report of General Marti's death is altogether unfounded. It is alleged that the body has not been seen by anybody with the exception of the Spaniards.

### 1920: Secret Salaries

PARIS — Some interesting particulars concerning the Reparations Commission have been given by M. Millerand, the French Premier, in reply to questions by the Commission members of how much the French members of the Commission are paid. M. Millerand says the emoluments and expenses of the Commission and its personnel are a charge upon Germany, the amount not being included in the reparation total.

its welfare society for the putative gains promised, in some more or less distant future, by a globalized economy.

There is some support for a policy of European trade preference, and caution about the trade pressures coming from America. The future could prove to be other than the one now commonly expected in Washington, and at such institutions as the Harvard Business School.

International Herald Tribune  
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## IN OUR PAGES: 100, 75 AND 50 YEARS AGO

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### 1945: Art Is Recovered

SUPREME HEADQUARTERS. Allied Expeditionary Force — An unprecedented condition has been precipitated by the recovery by the Western Allies of one fifth of the art of the world and it may well be that future art values will be largely determined by the manner of its redistribution. It was said here today [June 2] by Lieutenant Colonel Geoffrey F. Webb, chief of the Monuments, Fine Arts and Archives section of Supreme Headquarters, that the removal of such a large portion of the world's art treasures from normal channels makes it impossible now to estimate their monetary value or to assay the demand for them in the world art market.



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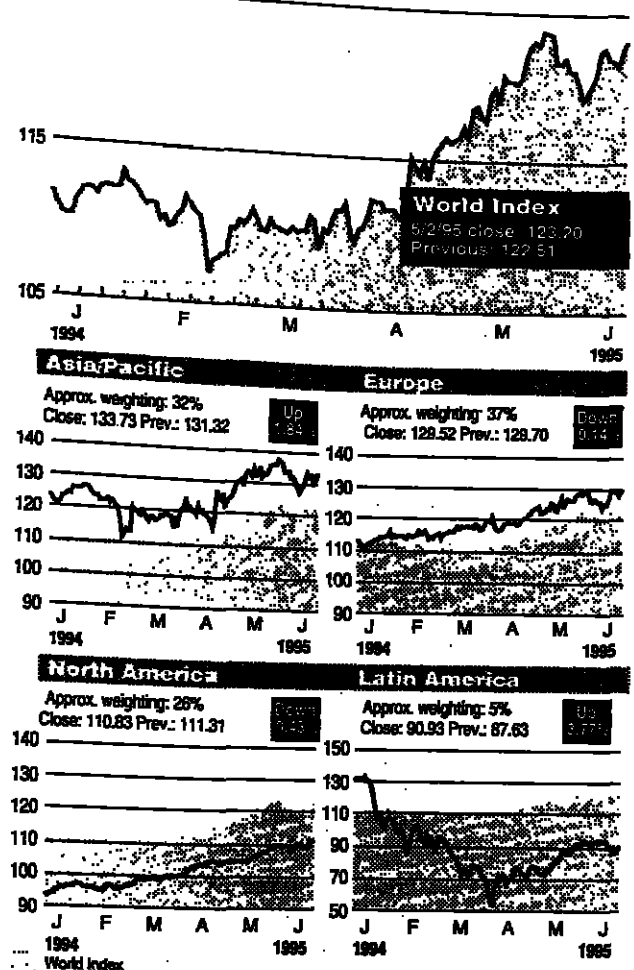
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Index	1994	1995	% change
Energy	126.87	127.06	-0.15
Utilities	133.72	132.24	+1.12
Finance	123.70	121.58	+1.74
Services	114.51	113.87	+0.05
Capital Goods	125.38	126.31	-0.75
New Materials	139.54	139.57	+0.19
Consumer Goods	117.44	117.37	+0.06
Miscellaneous	132.61	132.78	-0.13

## ECONOMIC SCENE

### China Scrambles for Oil

By Michael Richardson  
International Herald Tribune

SINGAPORE — China's determination to take control of potentially huge oil and natural gas reserves in the South China Sea is just a preview of what is likely to be a much wider international competition for increasingly scarce energy resources.

Rapid growth in China and other major developing economies in Asia over the next 15 years could "significantly increase global competition for resources," a recent report by the Organization for Economic Cooperation and Development in Paris warned.

This would upset the balance between energy supply and demand, causing oil prices to reach \$28 per barrel to 2005, the OECD warned. The price is now \$18 a barrel now.

China became a net oil importer last year after several decades as a large exporter. Chinese officials have said that unless new fields can be brought into production, the country will have to import about 50 million metric tons (373.1 million barrels) of oil by the end of the decade and 100 million barrels by 2010.

Peter Burri, managing director of Shell China Petroleum Development Pte., estimated that by 2015 China could be importing as much oil as the United States is today — more than 7 million barrels per day, or around one eighth of world oil output in 1994 of 59 million barrels.

China sees its claim to the disputed Spratly Islands and other areas of the South China Sea as an important issue of national sovereignty. But its push southward and offshore also appears to be driven by the need to secure control

over the petroleum energy it will need to become a modern industrial power.

China's share of world energy consumption will rise to more than 20 percent by 2010, from 9 percent in 1990, according to a study prepared for the Pacific Economic Cooperation Council.

China's population of 1.2 billion amounts to 21 percent of the world's population. But it has only 2.4 percent of proven global oil reserves and 1 percent of gas reserves.

China expects to produce around 145 million tons of oil in 1995, little more than the 140 million tons it produced last year.

While it did not cite any sources, the official China Youth daily reported recently that the Spratly Islands were the key to control of 10 billion tons of oil, or more than one eighth of the country's proven reserves of about 78 billion tons. The paper said that the South China Sea was destined to become a "second Middle East."

"The last thing we want to happen is for somebody to find oil" in the Spratlys, said Alan Ortiz, a former national security adviser to the Philippine government. "That will generate the war that people want to avoid."

Vietnam, Malaysia, Indonesia and the Philippines have discovered major reserves of oil and gas in areas of the South China Sea that are closest to their shores, but not in the Spratlys. Nonetheless, China asserts that many of these finds are within its area of control.

"China has irrefutable sovereignty over the Spratlys and their adjacent waters," a Chinese Foreign Ministry spokesman said this week in Beijing. "China's position in this regard is clear-cut and consistent."

## Recovery Evades Many European Automakers

By Erik Ipsen  
International Herald Tribune

LONDON — Pummelled by turmoil in the currency markets and an economic recovery that has largely bypassed consumers, Europe's carmakers have been hit with surprisingly weak sales this year.

"The European market is looking a bit grim at the moment," said John Lawson, an auto analyst with DRI/McGraw Hill.

After a disastrous year in 1993, European car sales picked up last year. It was a trend the industry confidently predicted would only accelerate this year.

Except in rare cases such as Fiat SpA, it has not happened. In the Continent's largest market, Germany, forecasts of a rise in new-car registrations this year of as much as 2 percent have now been slashed. Figures for the first four months of the year showed registrations actually falling by 0.6 percent.

"The recovery in the European market has been postponed," said Gerald Rhy, a car industry expert at the Cardiff Business School. For the Japanese, however, it has been all but canceled.

The appreciation of the yen against even a strong Deutsche mark has ratcheted up the price of Japanese cars and sent sales and market share into a tailspin. "The yen is killing us," complained Norio Noka, the general manager for Toyota Motor Corp. in London.

On the other side of the coin, carmakers in weak-currency countries from Britain and Spain to Sweden and Italy are enjoying a full-blown renaissance. Nowhere has the turnaround come swifter nor stronger than at Fiat.

The big Italian carmaker, which once commonly carried the adjective "troubled," and had steadily lost market share for years, is on a roll. Its

### Fiat Back on Track With a Robust Profit

Compiled by Our Staff From Dispatches

TURIN — Italy's largest car company, Fiat SpA, reported 1994 net profit of 1.01 trillion lire (\$610.3 million) as brisk sales of its new Punto car pulled the company out of the red.

Fiat had lost 1.783 trillion lire in 1993 due to a 20 percent drop in car sales in Italy, combined with its heavy investment in product development. Its market share in Italy in 1993 was 44.4 percent.

The company, whose activities range from vehicles to insurance and chemicals, said that first-quarter sales increased 28 percent, to 25 trillion lire. It said this would boost earnings for the year beyond corporate targets, but it did not specify what the targets were.

The company said 1994 "was the year of turnaround and relaunch" after a crisis in 1993.

Fiat said it would propose a payment of a dividend of 50 lire per

common share and 110 lire per savings share for the year. It did not pay out a dividend on common shares last year and paid out 60 lire for savings shares.

In the first four months of 1995, sales grew 28 percent, to 25 trillion lire. Sales at Fiat Auto, the car division, increased by 13 percent, while truck sales at its Iveco unit were up by 21 percent and tractor sales at the New Holland unit grew by 7 percent, compared with the like 1994 period.

"Fiat is on course," said Nick Potter, an analyst at Credito Italiano International in London. "The first three months were encouraging, but do not be put off by the net margin of 4.4 percent. R&D costs taken at the beginning of the year depressed the net operating profit, which we expect to be much better this year when compared with last."

Analysts attributed Fiat's success in bouncing back from its only annual

loss since the 1970s to Europe's recovering car and truck market as well as to the lira's decline against other European currencies.

But the weak lira would have helped little if the group's management had not moved aggressively to turn the company around. Fiat borrowed heavily and poured 16 trillion lire over three years into revamping its car line with several new small and mid-size models.

Fiat's investment in the Punto paid off in strong sales abroad. As of April 30, 1.02 million Punto models had been ordered, 840,000 produced and 774,000 sold.

Revenue in 1994 rose 20.2 percent, to 65.5 trillion lire. Fiat's revenue is equal to 3.5 percent of Italy's gross domestic product.

Operating profit for 1994 was 2.676 trillion lire, compared to an operating loss of 839 billion lire the year before. (Bloomberg Reuters)

Both German luxury carmakers also face a potential windfall from the threatened 100 percent tariffs on up-market Japanese autos in the United States. Rolf Conen, chief strategist for Salomon Brothers Inc. in Frankfurt, forecast that those sanctions could, for instance, boost Mercedes' sales in America to 115,000 units from 73,000 last year.

The sanctions also loom as a big break for the Swedish carmakers Volvo AB and Saab Automobile AB. Both of them are now enjoying strong earnings on the back of a weak krona and new-model introductions. "It is difficult to say that Volvo is too small to survive when it is making the sort of money it is right now," said DRI's Mr. Lawson.

Oddly enough, France's Renault, which was Volvo's far larger partner-to-be in the merger called off 18 months ago, has fared less well.

In spite of ambitious streamlining of their operations and well received new models such as the Laguna and the Xantia, Renault and PSA Peugeot Citroën SA have suffered sluggish sales.

In addition to the effects of a strong currency, the two French car producers have faced the expiration of government incentives put in place last year to boost car sales.

Britain's car market too has suddenly begun to stagnate. In 1994, strong demand for company cars more than outweighed a fall in retail demand. This year sales are predicted to be flat.

Despite a sluggish market at home, however, British auto production continues to run at two-decade highs as big carmakers including General Motors and Ford Motor Co. shift production away from expensive sites in such countries as Germany and Belgium, while the Japanese expand their British plants to escape the effects of yen appreciation.

## U.S. Proposes 2 Rounds of Auto Talks With Japan

Compiled by Our Staff From Dispatches

WASHINGTON — Trade Representative Mickey Kantor said Friday the United States was prepared to hold auto trade talks with Japan in Geneva on June 12 and 13 and had suggested additional meetings in Washington on June 20 and 21. Mr. Kantor said the Japanese

minister of international trade and industry, Ryutaro Hashimoto, had indicated a willingness to accept the U.S. proposal for the talks "during a meeting Friday in Tokyo with Walter F. Mondale, the U.S. ambassador to Japan."

But a MITI spokesman said that plans for a second round of talks were not specifically ad-

ressed during the meeting.

The talks are required under the dispute-settlement rules of the World Trade Organization. Japan has lodged a formal complaint with the WTO, charging that Washington's decision to impose 100 percent punitive tariffs on \$5.9 billion of Japanese luxury car imports on June 28 violates international trade rules.

### EU Executives Critical

Washington's threat of trade sanctions against Japan came under fire from officials of UNICE, the European employers' federation. Alan Friedman of the International Herald Tribune reported from Paris.

The European business leaders said they stood behind Sir

Leon Brittan, the European Union trade commissioner, who has demanded the EU be present at any U.S.-Japan auto talks.

Sir Brian Corby, vice-president of UNICE, said he was worried about the way the U.S.-Japan dispute was developing and called Washington's position "heavy-handed."

(Knight-Ridder, Bloomberg)

### Russia Is Likely To Get a 1-Year Deal on Debt

International Herald Tribune

After two days of hard bargaining to reschedule Russia's \$40 billion in debt to Western governments, the talks were said to be nearing a conclusion late Friday in Paris.

Sources close to the talks said Russian efforts to get a multi-year rescheduling deal had made little headway. They said Russia would probably get a one-year deal.

For the Russian delegation headed by Deputy Prime Minister Oleg D. Davydov, any deal is better than none. Analysts said the hard line shown by Russia's creditors was due in part to displeasure with Moscow over the conflict in Chechnya. They also said Moscow needed to show it could live up to the conditions of the \$6.8 billion loan granted by the International Monetary Fund in April.

If a rescheduling is agreed in Paris, the Russians will go on to Frankfurt later this month, where they will sit down with a group chaired by Deutsche Bank AG to reschedule the \$28 billion in debt Russia owes to about 600 Western banks.

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## Brazil Outlasts Striking Energy Workers

Compiled by Our Staff From Dispatches

BRASILIA — Leaders of Brazil's oil workers' federation have recommended the end of a 31-day strike that has crippled the state oil monopoly, Petrobras, a union spokesman said Friday.

Union assemblies voted outside the country's refineries on Friday on the future of the strike, a day after the government threatened mass dismissals for the industry's 50,000 workers.

Workers at the Cubatão refinery in São Paulo state have voted to continue the strike, the Estado news agency reported. Workers at the Duques de Caxias refinery in Rio de Janeiro voted to end their strike.

As members voted, directors of the Oil Workers Federation recommended that members vote to drop all of their demands and return to work unconditionally.

(AP, Bloomberg)

James Brooke of The New York Times reported earlier from São Paulo:

At dawn, drivers start lining up here for scarce gasoline. In shantytowns, residents boil coffee over backyard cooking fires. At the gleaming new international airport, travelers pack into planes as airlines cut flights to cope with fuel shortages.

Brazil's longest oil strike in history is strangling South America's largest city, so why is Brazil's new president smiling?

For one thing, President Fernando Henrique Cardoso has faced his first major strike, and won. The strike is not officially over, but it is crumbling. Oil workers straggled back to work on Thursday without a contract, and production at state oil refineries stood at 63 percent and rising.

In a test of wills, the oil workers had threatened to derail the nation's anti-inflation program. Had they won pay raises above the inflation rate, other unions would have demanded equal treatment.

Instead, the failed strike proved a fiasco for the left. In May, two calls for general strikes went unheeded.

The left, in particular the Workers Party — aligned with a confederation of public employee unions — gambled that Mr. Cardoso, a sociologist and former exile, would buckle under pressure. Instead, he sent troops last week to occupy four refineries, helping restore production.

Mr. Cardoso is also smiling because the strikers played neatly into his plans to push a package through Congress of

market-oriented constitutional amendments.

As the shadow lengthened from the monthlong strike by employees of Petrobras, the Chamber of Deputies, Brazil's lower house of Parliament, approved amendments that abolished the state telephone monopoly, erased discrimination against foreign companies, allowed private companies to sell piped natural gas and opened the 8,000-kilometer (5,000-mile) Atlantic coastline to foreign cruise ships and freighters.

The strike increased political support for breaking the monopolies, said Walder de Góes, a political scientist in Brasília and president of the Brazilian Institute of Political Studies. "It showed the public how risky it is to have a state monopoly in something so essential as oil."

Mr. De Góes, who surveys congressional attitudes, believes that when the lower house votes Wednesday, it will approve the most controversial item of the free-market package — allowing foreign companies to drill for oil in Brazil.

The Senate, more tightly con-

trolled by the governing coalition, is expected to ratify all measures the Deputies approve by July.

Breaking the phone monopoly was expected to pave the way for as much as \$10 billion in foreign telecommunications investment by the end of the decade.

Ending discrimination against foreign investors, such as the prohibition of majority ownership in mining operations, is expected to open the door to privatization next year of the huge state mining company, a sale expected to fetch about \$15 billion.

The rapid-fire series of congressional votes is making Brazil's left sound notes of desperation.

Orestes Quercia, a former governor of São Paulo state, said here Sunday: "This government is promoting the breaking of monopolies in an irresponsible way, with the goal of selling the nation's patrimony for small change."

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## CURRENCY & INTEREST RATES

Cross Rates									
	\$	£	DM	FF	Lira	Yen	S. Afr.	Scand.	Other
Amsterdam	1.35	2.20	1.18	1.33	1.34	1.33	1.33	1.33	1.33
Bremen	1.35	2.20	1.18	1.33	1.34	1.33	1.33	1.33	1.33
Frankfurt	1.35	2.20	1.18	1.33	1.34	1.33	1.33	1.33	1.33
London (C)	1.35	2.20	1.18	1.33	1.34	1.33	1.33	1.33	1.33
Moscow	1.35	2.20	1.18	1.33	1.34	1.33	1.33	1.33	1.33
Paris	1.35	2.20	1.18	1.33	1.34	1.33	1.33	1.33	1.33
New York (B)	1.35	2.20	1.18	1.33	1.34	1.33	1.33	1.33	1.33
Osaka	1.35	2.20	1.18	1.33	1.34	1.33	1.33	1.33	1.33
Porto	1.35	2.20	1.18	1.33	1.34	1.33	1.33	1.33	1.33
Tokyo	1.35	2.20	1.18	1.33	1.34	1.33	1.33	1.33	1.33
Toronto	1.35	2.20	1.18	1.33	1.34	1.33	1.33	1.33	1.33
Zurich	1.35	2.20	1.18	1.33	1.34	1.33	1.33	1.33	1.33
1 BCU	1.35	2.20	1.18	1.33	1.34	1.33	1.33	1.33	1.33
1 SDP	1.35	2.20	1.18	1.33	1.34	1.33	1.33	1.33	1.33

Eurocurrency Deposits									
	Dollar	DM	Swiss	French	Yen	ECU			
1 month	5 1/4 - 5 1/2	4 1/4 - 4 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2			
3 months	5 1/4 - 5 1/2	4 1/4 - 4 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2			
6 months	5 1/4 - 5 1/2	4 1/4 - 4 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2			
1 year	5 1/4 - 5 1/2	4 1/4 - 4 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2			

Sources: Reuters, Lloyds Bank.

Notes: See methodology to Interbank deposits of \$ 25 m.

Key Money Rates									
	United States	United Kingdom	Germany	France	Italy	Japan	Switzerland	Spain	Other
Discount rate	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
Prime rate	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4
Federal funds	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4
3-month CD	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4
6-month CD	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4
1-year CD	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4
3-month Treasury bill	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
1-year Treasury bill	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
3-year Treasury note	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
5-year Treasury note	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
30-year Treasury bond	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
Merrill Lynch 30-year Treasury bond	5 1/4	5 1/4	5						

Sources: Reuters, Lloyds Bank.  
 Notes: See methodology to Interbank deposits of \$ 25 m.  
 1 BCU = 100 marks.  
 1 SDP = 100 pesetas.

Other Dollar Values									
	Dollar	DM	Swiss	French	Yen	ECU			
1 month	5 1/4 - 5 1/2	4 1/4 - 4 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2			
3 months	5 1/4 - 5 1/2	4 1/4 - 4 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2			
6 months	5 1/4 - 5 1/2	4 1/4 - 4 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2			
1 year	5 1/4 - 5 1/2	4 1/4 - 4 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2	3 1/4 - 3 1/2			

Forward Rates									
	30-day	60-day	90-day	3-month	6-month	9-month	1-year	2-year	3-year
Amsterdam	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Bremen	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Frankfurt	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
London (C)	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Moscow	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Paris	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
New York (B)	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Osaka	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Porto	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Tokyo	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Toronto	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Zurich	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35

Sources: ING Bank (Amsterdam); Innesbank Bank (Brussels); Banca Commerciale Italiana (Milan); Agency of Presse (Paris); Bank of Tokyo (Tokyo); Royal Bank of Canada (London). Agency of Presse (Paris); Bank of Tokyo (Tokyo); Royal Bank of Canada (London). Agency of Presse (Paris); Bank of Tokyo (Tokyo); Royal Bank of Canada (London).



## THE AMERICAS

Mexico Plans a Huge Garage Sale  
Privatization to Be Monitored After Earlier FiascosBy Anthony DePalma  
New York Times Service

COATZACOALCOS, Mexico — Under pressure from the United States and other creditors to cut spending and raise cash, Mexico is planning a garage sale. The idea is to unload government-owned enterprises, from airports and communication satellites to the entire Mexican railroad system, including a creaky line that chugs from this city on the Gulf of Mexico to the Pacific Coast at a seat-numbing speed of 12.5 miles (20.2 kilometers) per hour.

The sale will be Mexico's third big round of privatization since the mid-1980s. It is being watched closely in Mexico and in the United States — from which many buyers will presumably come — to see if it will be managed better than earlier ones, which raised more than \$22 billion.

In those sales, the government, in its zeal to get top dollar to meet its own needs, accepted bids that were not always the best deal for the businesses being sold, or for their customers. And it failed to adequately regulate the newly privatized businesses to protect consumers and promote competition.

For example, when Mexico sold 18 commercial banks beginning in 1991, it prohibited bids from foreign banks in favor of bids from Mexican investors, even though the latter had no banking experience.

Keeping out foreign banks and limiting the number of new banks effectively reduced competition in the market, making it more attractive to the local bidders and therefore driving up bids.

The government also failed to make sure that local bidders had enough money on hand to operate the banks in case of losses.

A result was that many banks could not respond adequately to the financial crisis that began last December.

Or, consider the telephone system. A state-run monopoly, it was simply turned over to a privately owned monopoly that has done little to improve Mexico's laughably unreliable service.

Or, take the government's two airlines, Mexicana and Aeromexico. They were sold to groups whose managers had little experience and insufficient capital, and within a few years were again on the brink of bankruptcy.

Privatization, Mexico has learned, is not a simple cure-all. To make a deal succeed, specialists say, a country must consider not only the price but the system being created. That means looking at the experience and financial strength of the bidder, assuring competition and a commitment to service. Doing so may mean accepting a lower price.

But many people worry that the Mexican government may repeat earlier mistakes in the coming round.

"There's a bit of a naive view of privatization that says just give the properties to private owners and that's enough," said a senior government official who spoke on the condition that he not be identified. "It's naive, but it's pretty effective. And the pressure for that kind of thing to continue is very strong."

The sale of the railroads will provide an interesting study of whether the government can balance a need to raise cash with a desire to improve an important industry.

But if Mexico sells the railroads in the same way it sold the telephone company, for example, the government would give the whole system to a single bidder who might not have any expertise and thus create a privately owned monopoly no

more efficient than the one the government has run so poorly for decades.

Some government officials, as well as some potential bidders, want things to change. Under their approach, Mexico's railroads would be split carefully into competing systems. Qualifications of bidders would be scrutinized, and important questions about setting rates, cutting payrolls and dealing with unprofitable passenger service would be addressed before bids were accepted.

For many reasons, the sale will not be easy. The government's chances are not helped by the fact that Mexico is under even more pressure to raise money — and to do so quickly — than it was during the earlier rounds of privatization.

In exchange for a \$50 billion bailout from the United States, the International Monetary Fund and other nations and organizations last March, Mexico agreed to raise \$12 billion to \$14 billion by selling profitable state-owned enterprises.

Some say the U.S. Treasury demanded the sales to appease members of Congress who worried that Mexico was getting a free ride.

President Ernesto Zedillo wants to show that he is committed to complying with the conditions. He also wants to demonstrate that despite the economic horrors that followed last December's devaluation, Mexico is still on a modernization path.

The coming sales are also far more complex than earlier ones, because they require substantive changes in the law — in some cases, the constitution of Mexico.

Railroads, for example, were considered strategic resources until the constitution was changed a few weeks ago. Lawmakers also found that oil and natural gas were still strategic but that natural-gas distribution was not and thus could be sold.

Employment Data  
Damage Blue Chips

Compiled by Our Staff From Dispatches

NEW YORK — Stocks were mixed Friday as blue chips fell after the government reported a big drop in the number of jobs last month. The broader market was firm, however, as investors moved into financial and technology issues.

Analysts said investors were torn between fears of a recession and prospects of falling interest rates after the government report on job losses.

The Dow Jones industrial average fell 28.36 points, to 4,444.39, but advancing issues outnumbered declining ones by a 3-to-2 ratio. Reflecting gains in technology stocks, the Nasdaq Composite index rose 4.16 points, to 872.98.

Intel rose 1 1/4, to 116 1/4. The chipmaker's chief executive, Andy Grove, affirmed that he expected sales of personal computers to rise to 100 million units annually from the current 60 million.

Shares in Applied Materials, which makes equipment used in semiconductor manufacturing, rose 2 1/4, to 82 1/4. Texas Instruments, which trades on the New York Stock Exchange, finished 2 1/4 higher, at 123 1/4.

Technology stocks made up most of the ground they lost early in the week. Stocks in banking companies gained amid speculation that the Federal Reserve Board would cut interest rates later this year. A sharp rally in the government bond market also helped.

Banking companies generally picked up when interest rates fell because of increased borrowing and gains on bond holdings.

The price of the benchmark 30-year Treasury bond soared, driving its yield down to 6.54 percent from 6.61 percent.

The yield on the 30-year bond has fallen 80 basis points, or 0.80 percentage point, since the beginning of May.

The prospect of a rate cut by the Fed has helped the Dow industrials rise 2 percent this week. Low rates help stocks by encouraging people to put their money in equities rather than lower-yielding fixed-rate investments. They also lower the cost of borrowing, which helps increase corporate profits.

"Markets don't react like this going into recession," said John Brooks, director of sales and marketing at Nolely Group in Atlanta. "There's a big difference between a slowdown and going into recession."

Oil, transportation and chemical issues slumped as investors bet a slowdown in the economic cycle would crimp demand and shipments of plastics and other consumer-related items.

There's definitely a debate going on," said Scott Billedeau, a fund manager for B of A Capital Management Inc. "The economy probably will slow down, which is good for interest rates near term." But he added that corporate profits could suffer if the slowdown were too severe.

Stock in companies that provide temporary workers dropped on the government employment data. Interim Services fell 1 1/4 to 23 1/4 and Manpower dropped 2 1/4 to 25.

Among the 30 Dow stocks, J.P. Morgan rose 1 1/4 to 73 1/4, while Philip Morris rose 1 to 73 1/4.

The Dow's biggest losers were companies sensitive to economic swings — Caterpillar fell 1 1/4 to 59 1/4, Alcoa dropped 1 1/4 to 45, DuPont fell 1 1/4 to 66 1/4 and United Technologies dropped 2 1/4 to 75 1/4.

Stock in Olin Corp. fell 2 1/4 to 51 1/4 after Merrill Lynch lowered its rating of the chemical company amid concerns that cyclical declines in the chemical and defense industries could hurt profits.

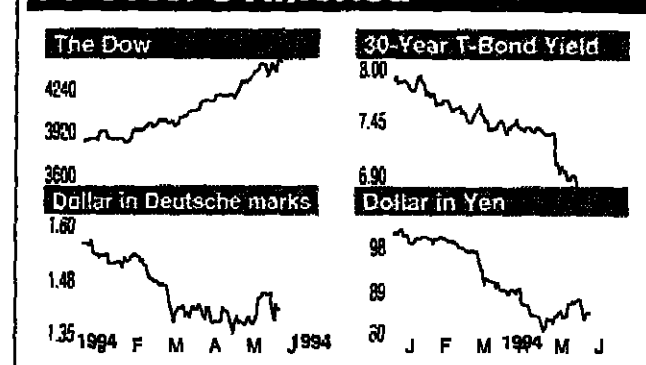
Philip Morris rose after the company said late Thursday that it had retrieved 75 percent of recalled cigarettes from retailers, and that the recall was proceeding as planned. Last week, the company said it would recall 8 billion cigarettes after finding a chemical contaminant in some of its filters.

Railroad stocks dropped sharply after an analyst at Donaldson Lufkin & Jenrette downgraded the largest of them, Burlington Northern, from 1 to 59 1/4. Union Pacific finished 1 1/4 lower at 52 1/4.

Bank of New York rose 1 1/4 to 41 1/4. The bank said Thursday it would buy the corporate trust unit of NationsBank Corp.

(Bloomberg, AP, Reuters)

## Investor's America



Exchange	Index	Fnday Close	Prev. Close	% Change
NYSE	The Dow	4444.39	4472.75	-0.63
NYSE	S&P 500	532.51	533.49	-0.18
NYSE	S&P 100	506.36	508.01	-0.32
NYSE	Composite	286.72	286.73	-0.07
U.S.	Nasdaq Composite	872.78	868.35	+0.51
AMEX	Market Value	467.84	490.90	-0.62
Toronto	TSE Index	4449.80	4445.61	+0.09
Sao Paulo	Bovespa	39452.00	37030.00	+6.54
Mexico City	Bolsa	2033.37	2011.96	+1.06
Buenos Aires	Merval	447.59	428.74	+4.40
Santiago	IPSA General	6118.41	6105.95	+0.20
Lima	Capital General	1209.87	1207.12	+0.23

Source: Bloomberg, Reuters

## Very briefly:

## FDA Approves Glaxo Migraine Drug

LONDON (Bloomberg) — The U.S. Food and Drug Administration said Friday that Glaxo Wellcome PLC can begin selling a tablet version of its prescription migraine treatment Imigran.

The decision, which Glaxo requested more than four years ago, is expected to significantly boost sales of what is one of Glaxo's fastest-growing products, but one which has been dogged by safety concerns.

The FDA had previously approved only the injectable form. Glaxo said it would begin selling the tablet form of the drug in September 1995. Imigran, also known as Imigran, is approved in oral and injectable forms in dozens of countries.

## Sony Forms Game Deal With Namco

LONDON (Bloomberg) — Sony Corp. said Friday it had formed a long-term alliance with Namco Ltd. of Japan under which Namco will develop a library of video games compatible with the next generation of Sony PlayStation home game machines.

Namco, which develops interactive video games and operates arcades, will create game titles for Sony's 32-bit PlayStation system. Sony will distribute and sell Namco's games in Europe. The companies expect revenue of \$100 million in the next 18 months.

Hills Stores Co. rejected Dickstein Partners Inc.'s sweetened \$250.5 million takeover offer. Hills said the \$27 per share offer was not in the best interests of shareholders. The new offer calls for \$22 a share in cash and \$5 of a new debt security payable in five years. The previous offer was for \$25 a share.

Stanley Pictures Entertainment Inc. is to invest \$75 million in Stanley Jaffe's new independent production company in exchange for theatrical and home-video distribution rights.

Bloomberg, Reuters

## Intervention Fears Help Prop Up Dollar

Compiled by Our Staff From Dispatches

NEW YORK — The dollar was mixed Friday against other major currencies, rebounding from early losses amid concern that central banks might launch another round of dollar-buying to bolster the U.S. currency.

A report showing that the U.S. economy unexpectedly shed 101,000 nonfarm jobs in May sparked speculation that the pace of the U.S. economic slowdown could prompt the Federal Reserve Board to push down interest rates, reducing borrowing costs in order to foster growth.

Low U.S. interest rates typi-

cally make the dollar unattractive by reducing the return investors get for holding short-term debt investments denominated in the currency.

However, lingering concern that central banks could buy dollars in collaboration, as they did Wednesday, helped the dollar regain ground, traders said.

"Everybody sold dollars this morning, but people were quick to buy them back for fear of Fed intervention," said Paul Farrell, a manager at Chase Manhattan Bank.

"Since the Fed intervened two days ago, everyone has in the back of their minds that it

could come in again," a trader at Arab Banking Corp. said. The dollar closed at 1.4090 Deutsche marks, up from

1.4085 Thursday. Against the

yen the dollar was down to 84.35 from 84.56.

Against other currencies, the dollar was unchanged at 4.951 French francs. It rose to 1.1620 Swiss francs from 1.1600. The British pound fell to \$1.5895 from \$1.5977.

Reports that a U.S. warplane flying in a NATO operation was shot down Friday over Serbia-Bosnia also helped the dollar rise

against other currencies, traders said. Investors often buy the dollar as a safe haven in times of political turmoil.

The dollar's rise against major European currencies was helped as traders in Europe, facing the weekend and the Pentecost holiday Monday across much of the continent, backed away from positions they had taken against the U.S. currency.

(Bloomberg, Reuters)

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## WORLD STOCK MARKETS

Friday, June 2  
Prices in local currencies.  
Telegrams

High	Low	Close	Prev.
176	171	174	171
31.6	31.1	31.6	31.1
31.6	31.1	31.6	31.1
31.6	31.1	31.6	31.1

High	Low	Close	Prev.
176	171	174	171
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High	Low	Close	Prev.
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31.6	31.1	31	



# Bank of Spain Raises Key Rate To Fight Inflation

**Compiled by Our Staff From Dispatches**  
**MADRID** — In an effort to stem a recent rise in inflation, the Bank of Spain raised its benchmark interest rate by three quarters of a percentage point Friday.

The central bank set a minimum rate on securities repurchase certificates of 9.25 percent at its regular auction Friday, up from a rate of 8.50 percent at the auction 10 days ago. It was the third rate increase this year.

## Handelsbanken Will Buy Healthy Part of Skopbank

**Bloomberg Business News**  
**STOCKHOLM** — Svenska Handelsbanken AB, Sweden's second-largest bank, said Friday it would buy the healthy parts of Skopbank, a state-owned Finnish bank, for 585 million markkaa (\$134.9 million).

Handelsbanken has agreed to take over loan and bank guarantee portfolios of 4.4 billion markkaa, deposits of 400 million markkaa and all shares in two Skopbank units with total assets of 8.6 billion markkaa.

The two units are Industriell-sparingsfonden, which is mainly concerned with real estate loans, and Skop Finans, a leasing company.

The price of 585 million markkaa is 20 percent higher than the net-asset value of the two companies, Handelsbanken said. That is because the Finnish state has provided guarantees to cover credit losses in 1995 and 1996.

Skopbank was hit worse than other banks during the recession in the early 1990s, which was deeper in Finland than most other European countries. It was bailed out by the state in 1991. Sweden's financial watchdog has approved the takeover.

Final approval from Skopbank's general assembly is expected in two weeks. Handelsbanken is already the fourth-largest bank in Finland.

Some analysts pointed out that the rate rise did not occur at a time when the peseta was weak, as had the two previous rate increases this year. Countries often use rate increases to support their currencies.

"This is the first move in a long time that's not going to be perceived as a currency measure," said Henrik Lundholm, chief economist at Bank of America in Madrid.

Analysts said the central bank's credibility had come into question over the past few months when, despite the evidence of rising inflation, it put off a rate move until after last week's municipal and regional elections.

The Bank of Spain gained independence from the government last year.

An analyst at a British investment house who requested anonymity said the rate rise "proves the Bank of Spain is a political animal," by waiting until after the elections.

(Bloomberg, Reuters, AFX)

Major commercial banks responded by raising the rates they charge their most credit-worthy customers for loans to 9.25 percent from 8.50 percent.

The Bank of Spain has set a goal of 3.5 percent to 4 percent annualized inflation in the first quarter of 1996. But in April, inflation rose to a year-on-year rate of 5.2 percent. The bank said it wanted to preempt further inflationary trends.

"It's aggressive, it's in line with a vigorous monetary policy and with what the Bank of Spain has done since the start of the year," said Felix Gonzalez, chief economist at Capital Market, a Madrid brokerage.

Bond prices rose on the news of the rate rise, which was higher than most analysts expected. The yield on the benchmark 8 percent government bond due 2004 fell to 11.36 percent from 11.49 Thursday.

In the futures market, the 10-year bond for June delivery rose 0.28 points to 86.50. The peseta slipped despite the rate rise. The Deutsche mark rose to 86.706 pesetas at the close in Madrid, compared with 86.626 on Thursday.

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(Bloomberg, Reuters, AFX)

# Sun Shines on Site Disney Rejected New Spanish Theme Park Opens to Capacity Crowds

By Barry James  
International Herald Tribune

On a site considered and then rejected by Walt Disney Co., a theme park has sprung up to tweak the mouse's tail. One month after its opening, Port Aventura, on Spain's Costa Dorada, reported attendance higher than anticipated, with nearly 350,000 paying visitors pouring through the entrance gates.

The owners received maximum help — including access to marketing and demographic research — from national and regional authorities in Spain, who were disappointed by Disney's decision to go to France, said a spokesman for one of Port Aventura's investors.

At 115 hectares (290 acres), it is only fractionally smaller than Disneyland Paris and has about the same number of attractions, making it Europe's second-largest theme park. It has 800 more hectares set aside for future development.

Port Aventura opened with less fanfare than Disney has given to a single attraction — its new eyeball-popping Space Mountain ride, which opened this week in Paris. Nevertheless, the Spanish park has been operating to capacity from its first day, and the hotels in the nearby resort of Salou and surrounding areas are heavily booked through the summer.

The investors in the \$450 million project are the Tussauds Group Ltd., which operates theme parks in Britain; the U.S. brewer Anheuser-Busch Cos.; the savings bank La Caja de Ahorros y Pensiones de Barcelona, or La Caixa; and a regional electricity utility, Fuerzas Electricas de Cataluna SA, or FECSA.

Of course, Port Aventura's planners took a careful look at Disneyland Paris, seeking to emulate its successes while avoiding the financial abyss into which the French park has fallen.

They decided that Disney has a terrific

park, according to Antonio Quijano, a spokesman for Port Aventura. But even with 9 million visitors last year, Disneyland lost money, partly because of the difficulty of filling its hotel complex.

Port Aventura thus was built without hotels, relying on the calculation that with 300,000 hotel rooms and 175,000

sign, Mr. Quijano said, was that visitors were spending 30 percent more on food and souvenirs than expected.

Despite its low price structure, compared with Disney, Port Aventura expects to make a profit with no more than 2.5 million visitors and 13.5 million pesetas in revenue a year, Mr. Quijano said.

This is partly due to the decision not to build hotels and partly because, in its initial stage, the park will close in winter. It has only 2,200 employees in the summer and 700 permanent staff. Disneyland employs 8,000 people full time and 4,000 part time.

For all its teething problems, Disneyland whetted Europeans' appetites for high-quality theme parks, and Spaniards have been among its most assiduous visitors.

So far, Port Aventura has been more heavily pitched to the domestic market than to tourists. Last year, Spain received 60 million visitors, of whom 19 million went to the Costa Dorada and neighboring Costa Brava region. As the park gets better-known, it will probably be expanded into a year-round operation, Mr. Quijano said.

Although it lacks the Disney name and cast of characters, the Spanish park has a major benefit that Disneyland Paris lacks: almost year-round sunshine.

It also has the advantage of having two lunch periods — foreign visitors like to eat earlier than the Spanish — which means that lines for the most popular attractions tend to be relatively short for most of the day.

Port Aventura also boasts the mother of all roller-coasters, called the Dragon Khan. In just over one minute, it hurries riders down a 45-meter (147-foot) precipice, accelerating to a speed of 110 kilometers (70 miles) an hour, and whips them horizontally and vertically through eight complete loops, a world record.

It avoided the mistake of banning wine and beer, a decision that Disney made and later rescinded, with some damage to its reputation. One hopeful

apartments within an hour's distance, local capacity was already sufficient.

Mr. Quijano said Disneyland got it wrong in the beginning by allowing itself to be seen as expensive, which proved dangerous at a time of recession. Even though it has reduced entrance charges since, the reputation has been hard to shake off.

Disneyland charges 195 francs (\$40) for a high-season adult ticket. Port Aventura charges 3,800 pesetas (\$30) for a one-day adult visit, or 5,200 pesetas for two days, with reductions for children and retired people.

It also has a policy of charging no more for food or drink than do the restaurants and bars of Salou, which is within walking distance. Otherwise, Mr. Quijano said, visitors would be likely to go to town for lunch.

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## Investor's Europe

Frankfurt DAX	London FTSE 100 Index	Paris CAC 40
2150	3300	2000
2100	3200	1925
2050	3140	1850
2000	3080	1775
1950	3020	1700
1900	2960	1625
1850	2900	1550
1800	2840	1475
1750	2780	1400
1700	2720	1325
1650	2660	1250
1600	2600	1175
1550	2540	1100
1500	2480	1025
1450	2420	950
1400	2360	875
1350	2300	800
1300	2240	725
1250	2180	650
1200	2120	575
1150	2060	500
1100	2000	425
1050	1940	350
1000	1880	275
950	1820	200
900	1760	125
850	1700	50
800	1640	-25
750	1580	-100
700	1520	-175
650	1460	-250
600	1400	-325
550	1340	-400
500	1280	-475
450	1220	-550
400	1160	-625
350	1100	-700
300	1040	-775
250	980	-850
200	920	-925
150	860	-1000
100	800	-1075
50	740	-1150
0	680	-1225

## Very briefly:

- Audi AG says its Hungarian unit would invest 250 million Deutsche marks (\$174 million) to expand its engine plant in Győr, west of Budapest.
- Germany posted a 6.2 billion DM trade surplus in March, up from 6.0 billion DM in February, provisional figures showed.
- The German Share Institute, a nonprofit organization backed by banks and industry, said it would seek laws for tax breaks for stock investments such as those in British personal equity plans.
- Portugal Telecom's privatization was four times oversubscribed; the government sold 28 percent of the phone monopoly in the country's largest single privatization.
- EA-Generali AG, Austria's leading insurer, said 1994 net profit fell 10 percent, to 594.8 million schillings (\$59.9 million); the company is 80 percent owned by Assicurazioni Generali SpA.
- Vontobel Group, a Zurich-based banking company, is to acquire an 80 percent stake in Bankhaus Berger & Co. of Austria.
- International Paper Co. of the United States is to buy the printing resins and adhesive resins businesses of DSM NV of the Netherlands; the price was not disclosed.
- CarnaudMetalBox SA expects to see an increase in operating profit for 1995 but the year will be a difficult one, Jürgen Hintz, the chairman, said.

## French Industrial Output Up

PARIS — Industrial production in France rose 2.0 percent in March from February and 5.9 percent from March 1994, mainly because of a sharp rise in energy output, the national statistics institute said Friday.

Energy output jumped 12.7 percent in March. Manufacturing output, however, was down 0.6 percent in the month.

Economists said the data provided little to soothe worries that growth was slowing. "My conclusion is that France reached its growth peak at the end of 1994 and that the economy is going to slow down," said Bernard Godein, economist at Nomura Research Institute.

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# Securicor Ends Cellnet Talks With BT

Bloomberg Business News

LONDON — Securicor Group PLC said it had ended talks on selling its 40 percent stake in Cellnet Group Ltd., the mobile telephone company, to British Telecommunications PLC because of regulatory hurdles.

The British Department of Trade and Industry told Securicor it was "not willing at present" to lift a restriction preventing BT, which owns 60 percent, from owning all of Cellnet.

Securicor said it was now considering selling its Cellnet stake, which analysts said could be worth £1.2 billion (\$1.91 billion), to another company.

"We've made no secret over the last few years that if we had something in the interest of our shareholders, we'd look very seriously at it," Christopher Shircliffe, finance director of Securicor, said.

Cellnet and Vodafone Group PLC pioneered the cellular-telephone services market in Britain in the 1980s. The companies now face competition from two new providers, Mercury One-2-One and Orange, both of which started last year.

Mercury One-2-One is owned by US West Inc. and Mercury Communications Ltd., a unit of Cable & Wireless PLC. Orange is 65 percent owned by Hutchison

Whampoa of Hong Kong, British Aerospace PLC and Barclays Bank PLC.

Analysts mentioned VIAG AG of Germany as a possible buyer for Cellnet. VIAG and BT are partners with MCI Communications Corp. of the United States in a venture to offer corporate telecommunications services in Germany.

The British government plans to allocate new frequencies for mobile service in the next few months, a move that analysts said would further slash profits at mobile telephone companies.

"We're now in an era of volume growth in subscribers but average revenue per subscriber is going to moderate," said Dennis Exton, a telecommunications analyst.

## U.S. STOCK MARKET DIARY

June 2, 1995

Index	High	Low	Close	Change
Dow Jones	4614.50	4582.75	4591.25	+28.50
S&P 500	102.15	101.85	102.00	+0.15
Nasdaq	2150.00	2120.00	2140.00	+20.00

Most Active	High	Low	Close	Change
IBM	102.15	101.85	102.00	+0.15
Microsoft	45.50	45.20	45.40	+0.20
Apple	35.00	34.80	34.90	+0.10

Standard & Poor's	High	Low	Close	Change
Industrials	102.15	101.85	102.00	+0.15
Technology	102.15	101.85	102.00	+0.15
Healthcare	102.15	101.85	102.00	+0.15

NYSE	High	Low	Close	Change
Composite	102.15	101.85	102.00	+0.15
Financial	102.15	101.85	102.00	+0.15
Energy	102.15	101.85	102.00	+0.15

Nasdaq	High	Low	Close	Change
Composite	2150.00	2120.00	2140.00	+20.00
Technology	2150.00	2120.00	2140.00	+20.00
Healthcare	2150.00	2120.00	2140.00	+20.00

Dow Jones Bond	High	Low	Close	Change
30 Bonds	102.15	101.85	102.00	+0.15
10 Industrials	102.15	101.85	102.00	+0.15

Trading Activity	High	Low	Close	Change
NYSE	102.15	101.85	102.00	+0.15
Nasdaq	2150.00	2120.00	2140.00	+20.00

Dividends	High	Low	Close	Change
IBM	102.15	101.85	102.00	+0.15
Microsoft	45.50	45.20	45.40	+0.20
Apple	35.00	34.80	34.90	+0.10

Stock Tables Explained  
Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounts to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual distributions based on the latest declaration.

## INTERNATIONAL FUTURES

June 2, 1995

Index	High	Low	Close	Change
Grains	102.15	101.85	102.00	+0.15
Oil	102.15	101.85	102.00	+0.15
Metals	102.15	101.85	102.00	+0.15

SOYBEAN OIL (CBOT)	High	Low	Close	Change
July 1995	102.15	101.85	102.00	+0.15
August 1995	102.15	101.85	102.00	+0.15

SOYBEAN MEAL (CBOT)	High	Low	Close	Change
July 1995	102.15	101.85	102.00	+0.15
August 1995	102.15	101.85	102.00	+0.15

SOYBEAN CRACK (CBOT)	High	Low	Close	Change
July 1995	102.15	101.85	102.00	+0.15
August 1995	102.15	101.85	102.00	+0.15

SOYBEAN CRACK (CBOT)	High	Low	Close	Change
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July 1995	102.15	101.85	102.00	+0.15
August 1995	102.15	101.85	102.00	+0.15

6-20	May '95	49.10	49.00	49.10	5	Jun '95	109-125	107-22	11
5-20	Est. settle	N/A	Thru's settle	3,650		Dec '95	109-17	107-16	11
5-20	Thru's open	1,750	up	500		Est. settle	24,500	107	
5-20	Thru's open	24,500	Thru's open	24,500		Thru's open	24,500	Thru's open	

10 YR. TREASURY (CBOT)									
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## ASIA/PACIFIC

# Japan Weighs Use Of Public Funds To Bail Out Banks

Compiled by Our Staff From Dispatches

**TOKYO** — The Japanese government is preparing a plan that might involve the use of public funds to help financial institutions dispose of bad loans, Finance Minister Masayoshi Takemura said Friday.

"We want to compile a comprehensive package aimed at disposing of a specific term," Mr. Takemura said. "The use of public funds is generally a significant theme."

Japanese financial institutions are struggling with an estimated 40 trillion yen (471.14 billion dollars) in bad loans inherited from reckless lending during the 1980s.

Apart from write-offs, which most banks have been slow in bringing to account, the only concrete step to clean up the mess so far has been the establishment of a special vehicle by the banks to absorb bad loans at heavy discounts to their face value.

Set up two years ago, Cooperative Credit Purchasing Co. has been unloading these debts at discounts of between 50 percent and 70 percent, with disposals

totaling only 8.69 trillion yen by the end of May.

Mr. Takemura did not mention the timing or the scale of the new solution, but said details would be announced as soon as possible.

His remarks sent the price of bank shares soaring on the Tokyo Stock Exchange with one of the most troubled banks, Nippon Credit Bank Ltd., rising nearly 5 percent. The bank's shares closed at 490 yen, up 22.

The Nikkei Stock Average rose to 15,849.13 from 15,594.57, but bond prices fell on speculation that the government might issue debt to create funds to help banks write off their bad loans.

Analysts were particularly wary of Mr. Takemura's remarks about using public funds given recent difficulties financial authorities have had in getting the Tokyo municipal government to help rescue two local credit unions.

"A direct bailout is not likely," said Yoshinobu Yamada, an analyst at Smith New Court Securities (Japan) Ltd.

(AFP, Bloomberg)

## Slumping World Markets Force Losses at Big Four

Bloomberg Business News

**TOKYO** — Japan's largest brokerage houses reported record losses on Friday, the result of an overall terrible performance in the world's money centers.

Japan's Big Four brokers — Nomura Securities Co., Nikko Securities Co., Daiwa Securities Co. and Yamaichi Securities Co. — reported pretax, consolidated losses totaling 166 billion yen (\$1.96 billion) for the year to March 31.

The companies blamed falling commissions from transactions on Japan's slumping stock market, along with trading losses around the world and increased expenses linked to restructuring efforts.

The losses were expected — all four brokerages said in March that they would post losses. But with the exception of Nomura, all said they expected to return to profit this year. Nomura did not release an earnings forecast.

Most of the firms were glum about prospects for profits in North America and Europe but said Asian markets offered potential.

Daiwa, for example, plans to expand into the Philippines, Thailand and Vietnam. Nikko will open offices in Taiwan and South Korea, and Yamaichi has set up a subsidiary in the Philippines and established an Asian venture-capital fund.

While Nikko posted a loss of 26.6 billion yen last year, reversing from a profit of 34.76 billion yen the previous year, it managed a 54 million yen profit at its Asian unit.

Nomura reported a loss of 32.56 billion yen for the year, compared with a profit of 67.82 billion yen the previous year.

Yamaichi posted a 68.54 billion yen loss, compared with a profit of 11.03 billion yen the previous year and Daiwa posted a loss of 38.7 billion yen, compared with a profit of 57.82 billion yen.

## Malaysia Targets Inflation

Reuters

**KUALA LUMPUR** — Prime Minister Mahathir bin Mohamad exhorted Malaysians to fight inflation on Friday, seeking to prevent the country's robust economic growth from being thwarted by spiraling prices.

Mr. Mahathir directed his remarks at consumers and did not make any weighty pronouncements on monetary or fiscal policy. He said business people should realize that they, too, were consumers and had a vested interest in keeping prices steady. He also called on Malaysians to curb excessive spending.

"Because we are all consumers, the control of inflation is our shared responsibility," the prime minister said in a televised speech.

His remarks disappointed financial markets, which had been expecting announcements of fiscal and monetary measures to combat inflation.

Malaysian leaders recently have expressed concern about price rises in the country as the economy heads toward its eighth consecutive year of more than 8 percent growth.

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Herald Tribune

# Saturn Shifts to the Right GM Unit Will Build Model for Japan

By James Bennet  
New York Times Service

**SPRING HILL, Tennessee** — General Motors Corp.'s Saturn division plans to start selling right-hand-drive versions of its sedans, coupes, and station wagons through exclusive dealerships in Japan as soon as 1997.

The cars, which will be called Saturns there as well, will be priced to compete against Japanese-made small cars rather than against other imports, which tend to be more expensive, Saturn executives said Thursday. The cars will be produced at Saturn's complex here on the same assembly line as other Saturns.

Saturn is preparing to switch to a new 1996 model, which was designed to be slightly narrower than the old one to meet the needs of Japanese buyers, said Skip LaFave, the president of Saturn and GM's group executive in charge of small cars. Japanese tolls, license fees, and other taxes are lower on narrow cars.

GM developed Saturn as its import beater, Mr. LaFave said, and exporting to Japan would allow Saturn to "take on the imports in their own territory."

[Yanase Co. will import the cars, which are to be sold by independent dealers, the Associated Press reported from Spring Hill, quoting Bill Betts, a Saturn spokesman.]

Mr. LaFave said a Saturn team had been analyzing the Japanese market for about three years and had determined ways to avoid adding substantial costs to the cars when they are imported — for example, by finding the cheapest ports to unload them.

GM developed Saturn as its import beater, Mr. LaFave said, and exporting to Japan would allow Saturn to "take on the imports in their own territory."

He refused to say how many cars Saturn hoped to sell in Japan. But the large investment that will be required to pursue this strategy indicates that GM intends Saturn to be one of its leading brands in Asia. The automaker has seven brands in the United States but wants to have fewer in Japan and other countries. Saturn already offers cars in Taiwan, where it plans to sell about 3,000 this year.

If Saturn is a hit abroad, it could justify increasing U.S. production and help defray GM's investment in the subsidiary, Saturn said. It expected to make its third annual profit this year, before interest charges and other costs. But Saturn is far from paying back the parent company's investment, which auto industry analysts have put as high as \$5 billion.

GM is already planning to sell 20,000 Cavalier small cars in Japan, beginning this fall. But those cars will be sold through Toyota Motor Corp. and will bear the Toyota name. Saturn executives said the Cavaliers would cost about \$20,000 in Japan.

The Cavalier also has a larger engine than the Saturn — displacing 2.2 liters, compared with 1.9 — meaning it will be more expensive to own, because of taxes in Japan that discourage large engines.

GM is already selling versions of its small European Corsa car in Japan. In Japan, those cars, which are smaller than Saturns, are sold as Opels, a GM European brand.

Mr. LaFave said GM might consider sending another North American-made car or light truck model to Japan and selling it as a Saturn, even if it does not wear the Saturn nameplate in the United States. "We would have no objection to that, but that would be a GM call," he said.

Saturn's plan to produce right-hand-drive models for Japan follows complaints by Detroit's Big Three automakers that they face

big barriers in that market, a central issue in the trade dispute between the United States and Japan. The Japanese have retorted that American cars are not generally suited to their market, particularly since few American exports have small engines and right-hand drive.

Donald W. Hudler, Saturn's vice president for sales, service and marketing, said the Saturn name was still "relatively unknown" among Japanese consumers. He said Saturn would seek to carve out an identity similar to

If Saturn is a hit abroad, it could justify adding production capacity in the United States.

the one it has in the United States, where its cars are viewed as reliable, sensible transportation sold in a friendly, low-pressure manner.

Mr. Hudler said Saturn would seek out experienced dealers in Japan willing to make the huge investment required to buy land for an exclusive Saturn showroom. "The primary focus will be stand-alones," he said. "We'll start out, not unlike we did here, with a fairly limited number, but we'll grow it."

He said Saturn had prepared its case for Japanese exports assuming the dollar would be worth 115 yen. With the dollar having since fallen to around 84 yen, he said, "the business case gets better every day."

Saturn expects to build about 305,000 cars this year, but the Tennessee plant has a theoretical capacity of 320,000. By Christmas, Mr. LaFave said, managers hope to have developed new systems that will raise that number, although he would not provide a target. Other executives, however, said they hoped to raise capacity to as many as 350,000 cars.

Once Saturn has squeezed all the capacity it can out of this factory, it plans to make its case to GM to add production, Mr. LaFave said. That new capacity could be added here or at another plant.

Saturn is also considering appealing to GM for a slightly larger car, which would be based on a European model, the Opel Vectra.

Saturn is halting production of old models on July 1 and plans to start exclusively making new ones on July 11, Nick Bozich, Saturn's manufacturing leader, said. By September, he said, Saturn hopes to return to its regular daily production rate of 1,150 cars.

**■ Toyota Tops Earnings List in Japan**

Toyota Motor Corp., Japan's largest automaker, had the most profit among the more than 2,000 listed Japanese companies that have reported earnings for the year ended March 31, Bloomberg Business News reported from Tokyo.

At the back of the earnings pack was Sumitomo Bank Ltd., which became the season's biggest loser after a write-off of bad loans.

Toyota was joined in the Top 10 by enterprises as diverse as Nippon Telegraph & Telephone Corp. and the creator of the "Super Mario Brothers" video game, Nintendo Corp.

At the other end of the line-up, Sumitomo Bank and five other finance-related companies were among the biggest 10 losers, a reflection of the dire state of Japan's financial industry.

# Intel Plans To Build Chip Plant In China

Compiled by Our Staff From Dispatches

**SHANGHAI** — Intel Corp. said Friday it would spend \$30 million on the initial phase of a computer-chip assembly and testing plant here that should begin production by 1997.

The plant, which will employ about 900 people, will make flash-memory and specialty computer chips, said Craig Barrett, chief operating officer of Intel. He said Intel's investment in the plant could total up to \$150 million.

"We will import finished silicon wafers, cut them up, test them and package them for sale in China and worldwide," Mr. Barrett said. "This will be part of our worldwide manufacturing infrastructure."

The plant will not produce Intel's Pentium and 486 microprocessors because it will not be equipped to make silicon wafers.

Mr. Barrett called the plan a "first step."

"It facilitates our presence and solidifies our presence in the Chinese economy," he said.

Personal-computer sales in China are forecast to exceed 1 million units this year, up from 700,000 in 1994. About 90 percent of these use Intel microprocessors.

"Very quickly, China will be the largest market in the Asia Pacific," Mr. Barrett said, without giving specific sales figures. "It is safe to say that Chinese revenue growth has exceeded the Asia Pacific average."

Intel's new plant will need 15 to 18 months to get up to full speed but will be shipping in volume in its first year. Intel has similar plants in the United States, the Philippines and Malaysia.

Mr. Barrett said that while Shanghai's brisk growth presented infrastructure bottlenecks for some heavy manufacturers, he did not expect such problems for Intel's plant.

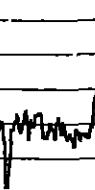
"We are happy with the basic power, water, work force, technical capability, proximity to good universities," he said.

(Bloomberg, Reuters)

**■ China Bans Some Loans**

The Shanghai branch of China's central bank has halted foreign-currency-backed yuan loans to help contain the country's money supply and curb inflation, Bloomberg Business News reported. The decision is in line with a recent central bank circular, an official at the Shanghai branch of the People's Bank of China said.

## Investor's Asia

Hong Kong Hang Seng		Singapore Straits Times		Tokyo Nikkei 225	
					
Exchange	Index	Friday Close	P.W. Close	% Change	
Hong Kong	Hang Seng		9,559.74		
Singapore	Straits Times	2,208.51	2,205.63	+0.16	
Sydney	All Ordinaries	2,006.70	2,021.00	-0.71	
Tokyo	Nikkei 225	15,849.13	15,594.57	+1.63	
Kuala Lumpur	Composite	1,078.98	1,070.82	+0.68	
Bangkok	SET	1,406.88	1,401.60	+0.38	
Seoul	Composite Index	894.24	891.43	+0.32	
Taipei	Stock Market Index	5,714.33			
Manila	PSE	2,824.57	2,802.72	+0.78	
Jakarta	Composite Index	489.42	485.78	+1.57	
Wellington	NZSE-40	2,723.06	2,710.81	+0.58	
Bombay	Sensitive Index	3,384.99	3,409.58	-0.72	

Source: Telekurs

International Herald Tribune

## Very briefly:

- **Dentsu Inc.**'s pretax earnings in the year to March rose 49 percent from the previous year, to 19.5 billion yen (\$230 million), helped by increased advertising revenue.
- **Konica Corp.** will move all of its plate making and printing operations for overseas-bound products to its U.S. subsidiary, Konica Imaging USA Inc.
- **Qantas Airways Ltd.**'s 75 percent privatization is expected to begin next month and raise between 1.5 billion and 2 billion Australian dollars (\$1 billion and \$1.4 billion).
- **The Philippines** gross domestic product grew at a rate of 4.78 percent in the year to March, up from the previous year's growth rate of 3.63 percent.
- **South Korea** posted a trade deficit of \$1.093 billion in May, up 81.5 percent from May 1994, as imports surged.
- **India's** central bank has urged state-dominated commercial banks to be cautious in their lending, pay attention to recovery of bad debts, and increase efficiency to compete in a liberalizing economy.

AFP, Bloomberg, Reuters, AFX

## Bank Takeover in Australia

Bloomberg Business News

**SYDNEY** — Advance Bank of Australia Ltd. said Friday it would buy the state-owned Bank of South Australia Ltd. for 730 million Australian dollars (\$522.2 million), possibly heralding a shakeout in the regional banking industry.

Advance would become the country's sixth-largest bank in the biggest domestic bank takeover since 1991, when Commonwealth Bank swallowed up the ailing State Bank of Victoria. The enlarged Advance Bank would have assets of more than 19 billion dollars and shareholders' funds of 1.2 billion dollars.

The takeover would be the first in what was widely expected to be a consolidation in Australia's regional banking industry, analysts said. The regional banks are vulnerable to weakness in housing markets, and they are too small to compete with bigger lenders.

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Denmark	D. Kr.	3,400	38	1,050
France	F.F.	1,950	40	590
Germany*	D.M.	700	82	210
Great Britain	£	210	32	65
Ireland	Ir.£	230	37	68
Italy	Lira	470,000	50	145,000
Luxembourg	L.F.	14,000	41	4,200
Netherlands	FL	770	40	230
Portugal	Esc.	47,000	44	14,000
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THE MARKET REPORT

FIRST COLUMN

# Round Up The Usual Suspects

**O**F ALL the marvelous lines in the film Casablanca, one of the best comes during the scene in which the captain of police, played by Claude Rains, shuts down Rick's Café Américain. "I am shocked, shocked to discover gambling is going on here," he tells saloonkeeper Rick, played by Humphrey Bogart — just as a cashier hands Rains his roulette winnings for the evening.

Investors looking to make money in developing economies sometimes have a funny way of sounding like Claude Rains. They profess horror at what they find in these risky new markets — volatile stock exchanges, minimal regulation, Byzantine accounting, shareholder interests treated with less than kid gloves — and yet it was precisely this element of risk, with its promise of reward, that they were after in the first place.

Of course, a winning bet never looks as risky as a losing one, and investors who put their money on emerging markets in Europe probably think they're hedging their bets simply by their choice of geography. Markets in Poland or Portugal or Turkey may seem more familiar to Western investors than more far-flung locations, but that sense of security probably has less to do with safety and stability than it does with hype. Remember the consumer-goods boom in the East that was supposed to follow the collapse of the Berlin Wall? Not surprisingly, Eastern consumers were less concerned about buying a food processor than about getting better food, and more of it. It shouldn't have been hard to see that one coming, yet few did.

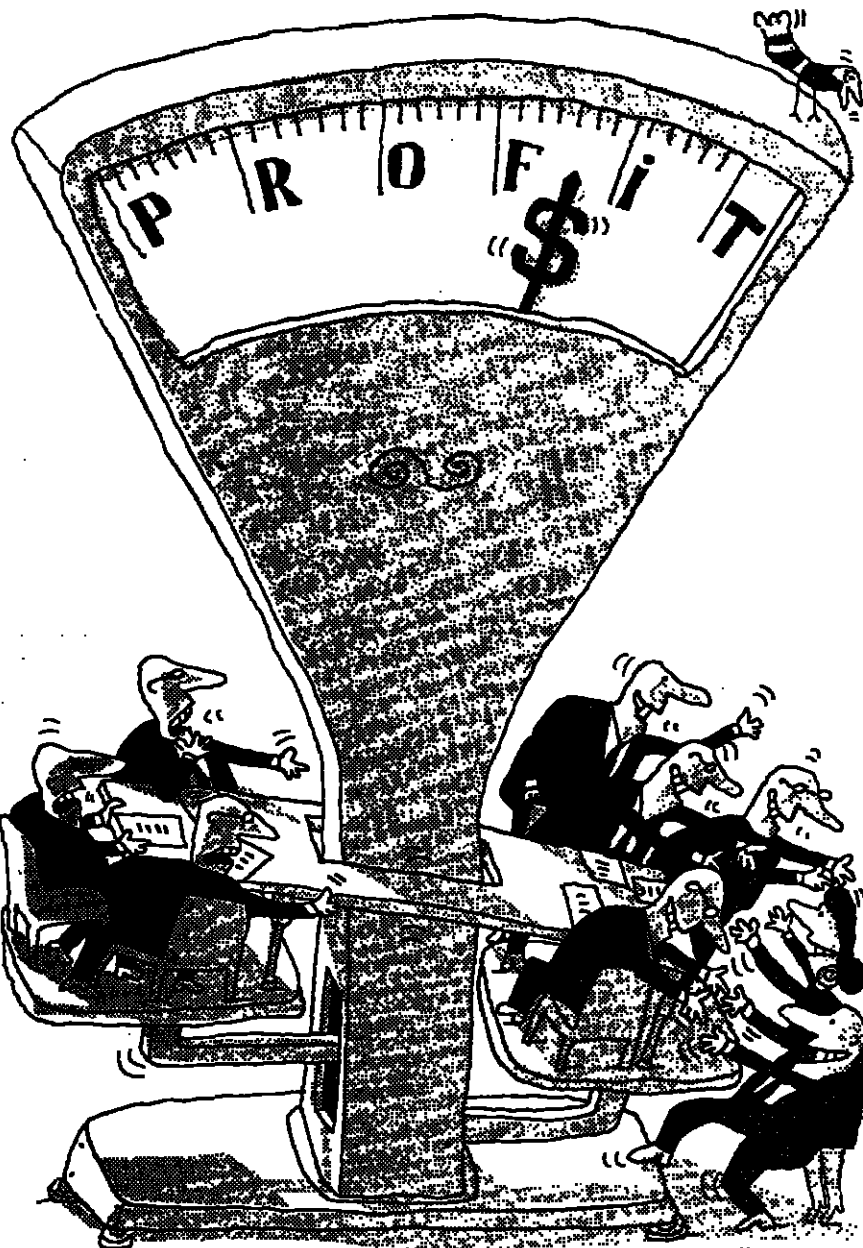
But those were early days, and today's investors in emerging Europe have less excuse for being uninformed. There is at least five years' worth of experience in the region to draw on. The service-oriented financial journals do a good job of separating image from reality, and there are lots of investment counselors who are more interested in giving good advice than in moving product off the shelves. Pick a source you trust and stick with it. It could be the start of a beautiful friendship.

A.B.



**Emerging Europe**  
Turkey's roller-coaster  
Bullish days in Russia  
European market roundup  
Rebuilding Eastern Germany

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# When the Majority Makes the Rules

By Rupert Bruce

**I**T is a tale that could not have been told five years ago, yet money managers say that stories like it are becoming common in the new shareholder democracies of Central and Eastern Europe.

Robert Blazek, managing director of Prague Capital Partners, says he was surprised when shares in Jacobs Suchard Figaro, a chocolate manufacturer based in the Slovak Republic, started to slip in over-the-counter trading last spring.

Figaro, a unit of Philip Morris, was expected to announce a respectable net profit for 1993 of 80.8 million Slovak korunas (\$2.75 million) at its annual meeting last May.

But when the company announced that net profit would be only 13.7 million korunas, Mr. Blazek decided to take a closer look at the figures.

What he found was a 173 million koruna "service charge" paid to Kraft General Foods, the Philip Morris unit that owns a controlling two-third interest in Figaro. The charge included 42 million korunas for "management of marketing, advertising and distribution" and 30 million korunas for "consulting, auditing and legal services," according to company records. It even covered security guards for Figaro facilities.

Mr. Blazek says he and a group of minority shareholders, who together own 10 percent of the company, lost 334 million korunas when Figaro stock plunged from 5,000 korunas in March 1994, shortly before the earnings report, to around 950 today. He blames the service charge for the drop, contending that the charge was "embellished" and was simply a way of moving Figaro profits to the Kraft bottom line.

For its part, Kraft maintains that Mr. Blazek's allegations are "unjustified and

without merit." Bernhard Huber, executive vice president for Central and Eastern Europe of Kraft Jacobs Suchard, said: "We have very, very strict worldwide internal rules we do have to follow. And we are audited by Coopers & Lybrand and the local tax authorities, and this allegation we reject and say it is nonsense."

Nevertheless, the Figaro minority group — Prague Capital Partners, along with Wyser-Fraite & Co., the New York arbitrageurs, and other money management firms — has asked Kraft to hold an extraordinary shareholders' meeting by next Thursday to answer questions about the service charge and to consider the group's request for a seat on the Figaro board.

If Kraft refuses to call the meeting, the next step will be to petition the district court in Bratislava, under Article 181.2 of the Slovak commercial code, to call an extraordinary meeting within 30 days.

The Figaro case is just one of a growing number of instances in which minority shareholders' rights are becoming a burning issue in emerging Europe, for professional and private investors alike.

Much of the investor interest in Central and Eastern Europe rests on the belief that there are big profits to be made from undervalued and under-researched companies. Without proper protection, however, experts say minority shareholders have sometimes found their interests come second to those of a powerful majority owner — or, sometimes, to those of management.

Says one Western fund manager involved in the Figaro minority group: "Five years into the development of these markets, the time is ripe for paying more attention to the protection of minority shareholders from abuse."

Experts point to several areas of corporate practice that, while perfectly legal, may bear careful scrutiny by minority shareholders in East European companies.

One common practice is transfer pricing. It works like this: A Western company that buys a majority stake in a local company tries to shift profits from the partially-owned company to the parent or to a wholly-owned subsidiary outside the country. It can do this by charging the partially-owned company for services, such as technical and marketing assistance, or by selling goods back to the parent at inflated prices.

Although the tactic may lower tax rates for the local company, it often does so at the expense of local shareholders, who may have to suffer losses in share value as a result of lower earnings reports.

"One company buying a controlling stake in a local company can result in transactions that will make the minority's shares next to worthless," says Mr. Blazek, who claims to have identified 16 companies in the Czech and Slovak republics where this appears to be happening.

Another potential pitfall for minority shareholders is dilution of their position. Primorsk Shipping, a shipbuilder on the Pacific coast of Russia, aroused shareholder anger recently by announcing a new share issue that was authorized some two years ago at a shareholders' meeting. Many new shareholders say they were not aware that permission had been given, and that in any event the share issue should have been done in a timely manner.

The Primorsk dispute is being resolved privately, but fund managers say the episode points up the need for Eastern Europe's new private sector to get its shareholder relations act together — soon.

In the end, market forces may be the most effective agents of change. Says Richard Sobel, who manages Russian money for Baring Asset Management in London: "What we will find is that the companies which do more to help shareholders find they are able to do share offerings at a premium to other companies."

# In Developing Markets, Follow-the-Leader Can Be a Losing Game

By Barbara Wall

**N**EVER follow fashion. This, if anything, is the lesson to be gleaned from the experience of investors who rushed to buy Eastern Europe funds back in 1990, just as these markets were becoming fashionable.

"There is a notable tendency for investors to wait until funds are performing well before investing their money," says Peter Jeffreys, managing director of Fund Research Ltd., an independent research group based in London. "However, it is at precisely this juncture that they should be thinking of taking their money out."

"With the main markets in Eastern Europe down by over 50 percent from previous highs, now is probably a better time to invest in the region," he adds.

Another lesson, according to fund managers, is that investors interested in emerging Europe do best by taking a long-term view. "Markets in Eastern Europe are at the same point as Asian markets were in the early 1980s," Mr. Jeffreys says. "Investors

who took a position on Asia in these days could have lost half their money overnight. But those who stuck with their investment will have made a hefty profit today."

With the right attitude firmly established, all that remains is the choice of investment vehicle.

Independent-minded investors may be persuaded to invest directly in the local stock markets. But Kenneth King, an emerging markets specialist at Kleinwort Benson Investment Management in London, advises taking a deep breath first.

"The vast majority of the markets in Central and Eastern Europe are highly illiquid, and detailed information on stock-market listings is almost impossible to get hold of," Mr. King says. "Shareholders may also encounter settlement problems and be unfamiliar with the different accounting systems employed."

One alternative to direct investment in the local stock market is to buy American Depositary Receipts, or ADRs, for one of the Eastern European companies whose ADRs are listed on either the New York Stock Exchange or the Nasdaq stock market.

A problem with this approach is that very few companies from emerging Europe list ADRs: a handful from Russia, two from Turkey, and one from Hungary. So far there are none from Poland or the Czech or Slovak republics.

Another problem with ADRs, Mr. King warns, is that they can be just as volatile as quoted securities on the local exchanges, so the potential for long-term returns is low.

A safer way, in theory, is to invest in Eastern Europe through a specialist regional or country fund — but, as some hapless investors found out five years ago, even this route is fraught with danger. Many of these funds, especially the closed-end country funds, have seen their net asset values plummet during the past eight months, some by as much as 33 percent.

Mr. King warns that investors run the risk of getting "locked in" with a single-country fund unless they have a talent for predicting market movements. He cites the example of Turkey, "one of the better markets" but also an extremely volatile one: Investors with \$100 in Turkish stocks in December 1993, for example, would

have seen the value of their investment drop to \$33 by March 1994, then double to \$66 in the next 12 months.

While single-country funds may appeal to seasoned investors, first-time investors generally do better by opting for a regional fund. As long as the fund manager is good and the investment company has a proven track record in the field, the risk is diluted, as there are more investments to choose from and the fund can switch to another market as the need arises.

The best-performing regional fund to date is Invesco International's East European Development fund, which was launched at the end of 1990. Although the fund recorded a fall of 21 percent in net asset value between November 1994 and May 1995, its assets have appreciated 333 percent since the launch date. The fund is invested throughout Eastern Europe, with a bias towards Russia and Poland.

The East European Development fund takes a two-pronged investment approach. As well as investing in quoted securities, the fund is 20 percent invested in unquoted companies. Roy Bracher, managing direc-

tor for Central European Asset Management, a division of Invesco, believes unquoted companies offer better value than listed securities because they tend to be in higher-growth industries.

Peter Kysel, manager of one of the oldest funds, the Hungarian Investment Company Ltd., for Govett and Co., believes that emerging-market funds should include bonds in addition to unquoted securities.

"The downfall of many East European funds is that they were created and marketed on the basis of the potential that exists in the emerging equities markets," he says. Had such funds also invested in bonds, he adds, the damage sustained during the plunge of 1994 may not have been as great.

Capital International's East European Investment fund, which was launched in 1993, goes that strategy one better by avoiding quoted securities completely and investing directly in companies. But Lam Nguyen-Puong, manager of the fund, acknowledges that because of its highly speculative nature, it should form "just a very small part" of an investor's portfolio.

# Best Bets in the Czech Republic May Lie Off the Beaten Path

By Iain Jenkins

**L**UXURY car dealerships are appearing all over Prague. New restaurants open almost daily. And more people are buying brand-name products in increasingly sophisticated retail chains.

All of which would appear to confirm that the "feel-good factor" has returned to the Czech Republic. With the economy set to grow between 5 percent and 7 percent this year, the signs point to a surge in stock prices.

But while other markets in Central Europe have staged rallies in recent weeks, Prague has been left on the sidelines.

Brokers in Prague are still talking about the market "reaching the bottom" at the market "reaching the bottom" around 1,200 on the H.N. Wood Index. Although the index is down 68 percent since its peak of February 1994, few say that the market has great growth prospects. Instead they advise investors to look elsewhere in the region.

Behind the paradox of the rapidly grow-

ing economy and the dull outlook for stocks is the bizarre fact that much of the growth will miss the manufacturing companies quoted on the Prague Stock Exchange. Most of the jobs and wealth are being created in the booming non-listed service sector.

"The Prague stock market isn't capturing the growth areas," says Rory Landman, who manages the Barings Emerging Growth Trust from London. "Most of the growth is coming from the smaller service sector companies and tourism rather than from manufacturing. There is value to be found, but the market will not rise as much as other Central and East European countries."

Experts say one of the problems is that many of the Prague-listed manufacturing companies haven't restructured themselves fast enough since they were privatized two years ago. They are swollen with too many workers, they have failed to modernize their plants and products, and have been slow to seek out western markets.

"The privatized companies are facing

real challenges and have to restructure fast," says Elisa Mazen, co-manager and vice president of the Oppenheimer Capital Czech Republic fund, listed in New York. In some cases, she adds, new companies are capturing market share "right out of the box" from the privatized companies.

Ms. Mazen forecasts that within four or five years the number of companies listed on the Prague Stock Exchange will have shrunk from 1,700 to 200. She believes many companies that were privatized in the "mass privatization" — when the major manufacturing companies were handed over to the people for a nominal price — are not viable economic units. Some are only single factories, and each of the eight regional electricity, gas and heating utilities is listed separately.

In fact, although the mass privatization effectively built the stock exchange by creating a new class of company and shareholder, market observers also blame the mass privatization for the failure of exchange-listed stocks to reflect the real growth in the economy.

Since many state-run companies didn't

want to be privatized or broken up into small parcels, they have often been reluctant to play by the new rules. They tend to be hostile to the idea of a shareholder democracy, and many annual reports lack much useful information.

Until now this hasn't mattered much because the privatization was a social and political success: It gave each Czech citizen a stake in the new capitalist economy and built support for the government of Prime Minister Vaclav Klaus.

But, as William Crewdson, investment manager of the London-listed Fleming Czech Investment Co. fund, points out: "There is an argument for saying that the privatization process has hindered rather than assisted the restructuring process. You would have expected to see more rapid progress than has taken place so far."

So far, the Klaus government's undeclared policy of slowing down the restructuring to give the economy time to adjust has worked — to a point. Unemployment is low, and the Czech Republic has managed to avoid many of the

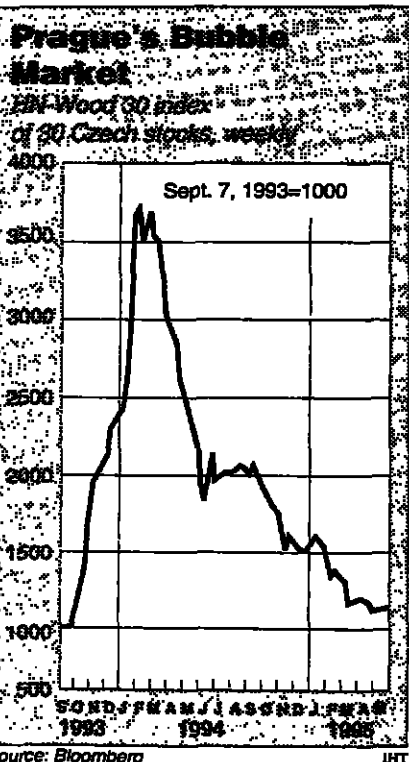
undesirable effects the shift to a market economy has produced in other formerly planned economies.

But the mass privatization has also added an element of volatility to the domestic share market by creating a mass of potential sellers that far outstrips the mass of potential buyers.

The average Czech citizen uses stocks as a savings vehicle, so each time a family needs a washing machine or a new car, members sell their shares. Until now the only buyers have been foreign investors, so when they stop buying — as they did last winter — the market goes into free fall.

However, there are signs that this may be changing. Alexander Angell, head of equity sales for Wood & Co., says that 30 percent to 35 percent of brokerage business now involves domestic transactions.

"It is no longer a case of foreigners buying and locals selling," he says, adding that the increase in local liquidity may encourage the entry to the market of more conservative international funds, which tend to shy away from illiquid situations.



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Academics Slows		109.27
Academics Ltd		472.60
Academics Slows	PF	472.60
Academy HAT Slows		27.22
Academy	PF	109.27
Academy		21.21
Advanced Letter Ltd	PF	109.27
Advanced Pacific Serv		109.27
AIG Taiwan Fund		125.12
Alexandra GIL Invest Ltd		11.16
Ancient Investments		11.16
Aristo International Fund		512.82
Aristo Investments		512.82
Aristo Fund Bonds	PF	512.82
Aristo Fund Equity	PF	512.82
Aristo Fund Ltd		109.27
Aristo Fund		109.27







## SPORTS

## New Hemisphere, Old Battle for European Rugby's Perennial Rivals

By Ian Thomsen  
International Herald Tribune

JOHANNESBURG — The never-ending argument resumes this weekend. France is going to wrestle with Scotland again, and Wales is going to wrestle with Ireland again, and next weekend the winners are going to wrestle with each other again.

Sometime late in the opening half, as they're preparing to bury their shoulders into each other's necks, it's going to strike them. Why is the air so thin? Why is the ground so hard? And they'll realize they flew 10 hours overnight into the warm African winter in order to do what they do every winter in Europe.

The opening rounds of World Cup group play conclude this weekend, and all of the decisive matches involve the protagonists of Europe's annual Five Nations Championship. Most of the other 11 countries here have either knocked themselves out of contention or, in the case of South Africa, Australia and New Zealand, practically assured their path into the knockout rounds.

Among the Europeans, England is the odd man out. It meets Western Samoa on Sunday night in Durban to decide the winner of Pool B. The winner goes on to meet Australia in a quarterfinal, while the loser gets South Africa. The loser might well be England, which has settled its first two matches here with all the fire of an accountant. Western Samoa, on the other hand, has come through like Errol Flynn waving his sword on a burning ship.

Maybe England is bored, not boring, and needs a challenge. The same may be true with France. The French need to lie down on a couch and talk things out. Either that or they need to pound Scotland, for Scotland represents all that the French fear in themselves. Last winter, after a humiliating loss to England at Twickenham, the French were expecting to steadily themselves against Scotland in Paris, where the Scots had not won since 1969. Then Gavin Hastings scored his try up the middle like a man rising rather nautically from the grave.

Hastings and Scotland had indeed been left for dead, but ever since that legendary, final-moments try he has achieved a new ascendancy that might

be almost Faustian if he weren't so wholesome. The Scots gave England a brave go (braver than the French gave) to finish second in the Five Nations tournament. In South Africa, they have demolished Ivory Coast and Tonga by a combined 130-5, with 75 points and five tries coming from Hastings — making him the all-time leader with 198 World Cup points.

"I'm one of those guys who looks forward, not backward, and now the most important thing is the game on Saturday," said Hastings, who will retire at the end of the tournament. "We've lost only once in 1995, we've played pretty attractive rugby and I would suggest that the spirit in the Scotland camp has never been higher."

Their match Saturday in nearby Pretoria is probably the most important of the weekend. The loser will be given little chance in its quarterfinal against New Zealand, but the winner will go on to receive either Ireland or Wales, the two worst teams in the Five Nations this year.

Scotland has made only three changes from the team that upset France, with Craig Joiner and Scott

Hastings replacing the injured Gregor Townsend and Ian Jardine as the center pairing, and Doddie Weir back at lock instead of Stewart Campbell. France, meanwhile, has recalled Christophe Deylaud (recovered from surgery three weeks ago for a broken thumb) to fly-half, the position he lost after the loss to Scotland.

While the Scots have been living with their wives and girlfriends, the French have become monks — isolating themselves from loved ones, shaving their heads, shugging their shrug. They know they should be so much better than they have been, and the whole world would like to see them improve. At their best, they represent the height of style. At their worst, they have been accusing the Scots of being banned from two local restaurants.

"Everybody in the French camp, the press, the fans, was talking about it," said Guy Laporte, the French team manager. "I started with our three-quarters shaving their heads. I said I preferred my players to shave their heads rather than break up a restaurant."

The two restaurants have denied the allegations.

and Scotland — calling it "a complete and utter fabrication" — has filed a complaint against France with the World Cup organizers. But Laporte was sticking with his story that the Scots broke some wine glasses.

"They broke perhaps one, 10 or a hundred glasses — it's not my problem," Laporte said, shrugging. Waiting for the winner will be Wales or Ireland, who each one victory in the Five Nations when Ireland handed Wales the wooden spoon. They meet again here Sunday to decide which will be runner-up from Pool C.

In the long run, it may not matter how the Europeans settle their interminable squabbles. The Welsh manager, Alex Evans, an Australian, had thought his team could beat New Zealand on Wednesday, but the All Blacks reminded him with a 34-9 beating of the differences between north and south.

"Their rugby is quicker, their grounds are harder and they're just able to change gear quicker," he said. "It's a faster game in the Southern Hemisphere."

## Dodgers Unfazed By One-Night Stand

The Associated Press

The Los Angeles Dodgers' one-night stand in Atlanta seemed to alter Tommy Lasorda's sense of direction.

"At least we didn't have to go much out of our way, since we were going from Philadelphia back to Los Angeles. Atlanta

## NL ROUNDUP

was right on the way, and I'm glad we stopped off," the Dodgers manager said after his team beat the Braves, 6-3, Thursday in a rare one-game series.

In a scheduling quirk brought about by the baseball strike and the 144-game schedule, three clubs hosted one-night series. The others were Phillies and the Expos.

Los Angeles finished up an East Coast trip that took it to New York, Montreal, Philadelphia and Atlanta.

Roberto Kelly went 3-for-5 with three RBIs, two runs scored for the

Dodgers. Eric Karros added an RBI single to extend his hitting streak to 16 games, and Jose Offerman hit a solo home run.

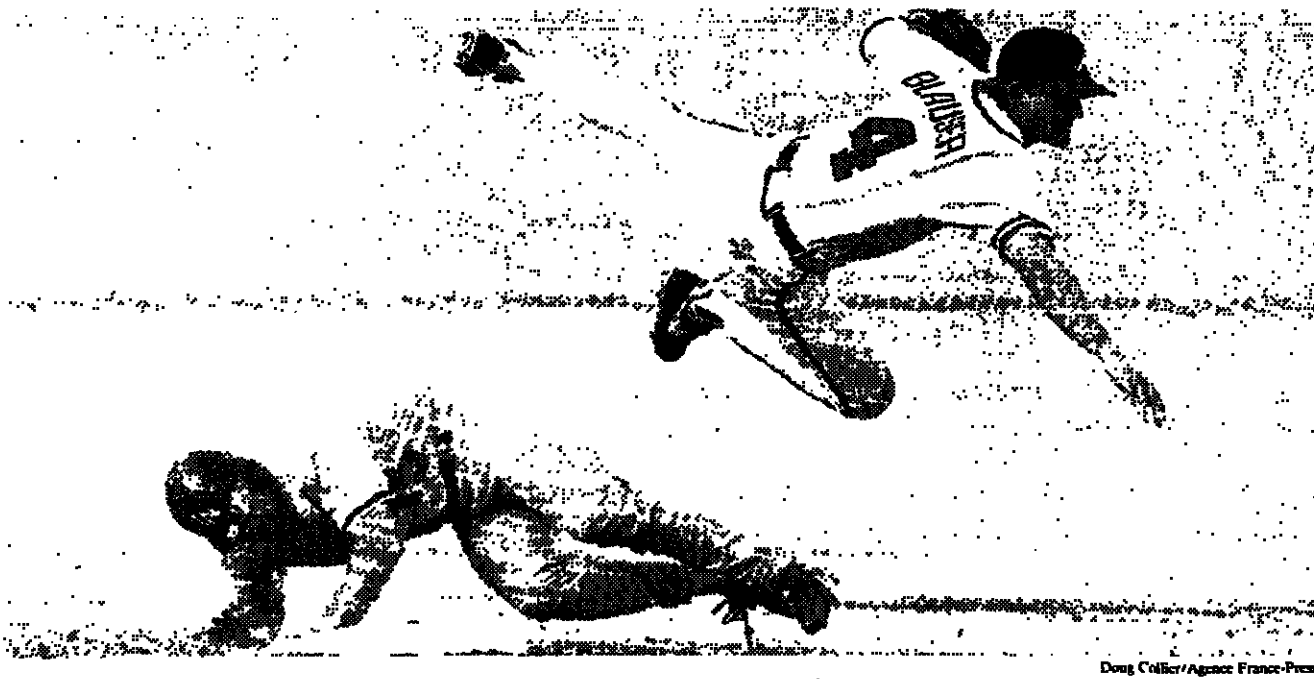
Ismael Valdes pitched a seven-inning shutout with six strikeouts and no walks for his first career complete game.

Braves starter Kent Mercker had a career ERA of 1.05 in 34 innings against Los Angeles, but was roughed up for nine hits and six runs in 6½ innings.

Phares 5, Reds 3: In Pittsburgh, left-hander Denny Neagle extended the longest winning streak of his career to five games, striking out five and scattering five hits in six innings against Cincinnati.

Neagle got help from his bullpen, as rookie reliever Jeff McCurry struck out Reggie Sanders with two outs and the bases loaded in the top of the seventh, preserving a 4-3 lead.

And Dan Miceli struck out the side in the ninth for his seventh save.



Atlanta's Jeff Blauer leaping over Tom Prince to turn the double play against the Dodgers, who still went on to victory.

Phillies 5, Cubs 3: Philadelphia increased its NL East lead to five games as Kevin Stocker hit a two-run single in the bottom of the eighth against Chicago and Heathcliff Slocumb got

the last three outs for his major-league-leading 14th save.

Expos 6, Cardinals 2: In Montreal, the Expos' rookie left-hander Carlos Perez improved his record to 5-0, limit-

ing St. Louis to five hits over seven-plus innings, striking out five and contributing an RBI triple. He lowered his ERA to an NL-low 1.54.

Moises Alou and Tony Tar-

asco each went 3-for-4 and Mark Grudzielanek went 3-for-5 to account for nine of Montreal's 11 hits. The third-place Expos are only .005 percentage points behind Atlanta in the NL East.

## A Streak Is Ended, But Rangers Win

The Associated Press

It doesn't mean much to Kenny Rogers that he pitched the longest stretch of scoreless innings since Orel Hershiser set the major-league record with 59 straight in 1988.

Minnesota's Kirby Puckett, on the other hand, said the Tex-

## AL ROUNDUP

as Rangers' left-hander had done something special. "This is something he should be very proud of," Puckett said after Rogers' streak stopped at 39 in Texas's 6-3 victory over the visiting Twins on Thursday.

"I'm sure he's not thinking about it now, but when he looks back, it should give him a sense of pride."

To Rogers, the team-record streak is no big deal. He just hopes it proves to his doubters that his perfect game last summer was no fluke.

He leads the league with a 1.58 ERA and is tied with Kan-

sas City's Kevin Appier for the league lead with six victories.

Rogers was tagged with two earned runs in seven innings Thursday. He gave up five hits, walked only Pedro Munoz and struck out five.

"The streak was in the back of mind, but foremost was to get a good start and win the game," said Rogers, who in the fourth inning broke Charlie Hough's team record of 36 straight scoreless innings, set in 1983. "I'm kind of glad it ended. Now I focus on quality starts."

Indians 7, White Sox 4: In Cleveland, the Indians got home runs from Eddie Murray, Albert Belle, Jim Thome and Paul Sorrento to complete their first four-game sweep of Chicago since 1976.

The Indians' fifth straight victory improved the American League's best record to 22-9, matching Cleveland's best starts in 1941 and 1966.

## SCOREBOARD

## Major League Standings

## AMERICAN LEAGUE

## East Division

	W	L	Pct.	GB
Boston	20	11	.455	0
Toronto	15	18	.455	5
New York	13	17	.433	6½
Baltimore	13	18	.419	7

## Central Division

	W	L	Pct.	GB
Cleveland	22	9	.710	0
Kansas City	16	15	.516	6
Minnesota	15	17	.469	7½
Chicago	11	29	.355	11
Seattle	10	24	.294	12½

## West Division

	W	L	Pct.	GB
California	20	13	.406	0
Seattle	19	13	.594	1
Texas	15	19	.438	5½
Oakland	13	17	.433	6

## NATIONAL LEAGUE

## East Division

	W	L	Pct.	GB
Philadelphia	24	9	.727	0
Atlanta	19	14	.576	5
Montreal	20	15	.571	5
New York	12	20	.374	11
Florida	8	23	.258	15

## Central Division

	W	L	Pct.	GB
Chicago	20	12	.625	0
Cincinnati	18	12	.600	2
Houston	18	16	.524	4½
Pittsburgh	13	18	.419	9
St. Louis	14	21	.400	10

## Thursday's Line Scores

## AMERICAN LEAGUE

	W	L	Pct.	GB
Chicago	20	11	.646	0
Cleveland	22	9	.710	0
Kansas City	16	15	.516	6
Minnesota	15	17	.469	7½
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## Atlanta

	W	L	Pct.	GB
Atlanta	20	10	.667	0
Braves	16	14	.533	4
Phillies	15	15	.500	5
Reds	14	16	.469	6
Cubs	13	17	.433	7

## St. Louis

	W	L	Pct.	GB
St. Louis	14	21	.400	10
Cardinals	13	17	.433	11
Expos	12	18	.400	12
Mariners	11	19	.366	13
Pirates	10	20	.333	14

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Cardinals	13	17	.433	11
Expos	12	18	.400	12
Mariners	11	19	.366	<



# Home at Last, Rockets Oust Spurs to Gain Final

By Richard Justice  
Washington Post Service

HOUSTON — The home-court finally became an advantage, and the Houston Rockets used it to clinch a second straight trip to the National Basketball Association Finals by defeating the San Antonio Spurs, 100-95.

Center Hakeem Olajuwon scored 39 points and grabbed 17 rebounds on Thursday to lead the Rockets, who became the first team to win at home in this series. Houston needed six games to wrap up the best-of-seven Western Conference finals and oust the team with the best record in the NBA during the regular season.

The Rockets await the winner of the Orlando Magic-Indiana Pacers series.

Houston forward Robert Horry clinched it with a pair of foul shots with 13 seconds left. Those were the last of his 22 points and his easiest on a night when he went 6 for 11 from

beyond the three-point line. Clyde Drexler led Houston's fourth-quarter rally and finished with 16 points, 10 rebounds and 7 assists.

"I'm probably the proudest man in the world right now," said the Rockets' coach, Rudy Tomjanovich. "It's hard to express how you feel about a group of guys that are backed up against a wall and hang together and get the job done. It's just heartwarming. I wish everyone could go through it."

David Robinson, plagued by foul trouble, led San Antonio with 19 points, but was just 6 for 17 from the field. The NBA's most valuable player also had six turnovers, and in the final moments, missed three foul shots and turned the ball over. Point guard Avery Johnson kept the Spurs in it with 19 points and 10 rebounds, and Dennis Rodman grabbed 17 rebounds and scored 14 points.

Neither team led by more than five points in the first three quarters, but Houston scored eight unanswered points for an

84-77 lead with 9 minutes, 48 seconds left in the fourth quarter. Drexler's basket after a steal gave Houston a 92-83 lead with 5:53 left and it appeared the Rockets would coast in.

The Spurs rebounded with a 10-0 run of their own. Doc Rivers led the charge with seven of the 10 points as Robinson was on the floor with five fouls. But Drexler gave Houston the lead for good with a pair of foul shots with 2:30 left. Robinson missed a short jumper and Horry controlled the rebound. Horry then nailed a 3-pointer for a 97-93 lead with 1:40 left.

Robinson missed a pair of foul shots and Sam Cassell made one with 37.5 seconds left. Rodman scored with an offensive rebound with 28 seconds remaining, but Horry's foul shot ended it for the Spurs.

After playing 16 games in 30 days, the Rockets finally have a chance to catch their breath before playing Game 1 of the NBA Finals next Wednesday in either Orlando or Indianapolis. Until Thursday, road teams had won the first five games of this series, but the Rockets are accustomed to doing things the hard way. A year after winning the franchise's first championship, Houston finished the regular season with the sixth-best record in the NBA.

Since then, they've knocked off the NBA's three top teams: San Antonio (62-20 in the regular season), Utah (60-22) and Phoenix (59-23).

They fell behind the Jazz 2-1 in a best-of-five series before rallying for a pair of victories, including Game 5 in Salt Lake City. They fell behind Phoenix 3-1 in a best-of-seven series before winning three in a row, including Game 7 in Phoenix. And in knocking off the Spurs, they won twice away from home, lost twice at home and won again after beating Thursday in Houston.

"You can't underestimate the heart of a champion," Tomjanovich said. "These guys have it and I'm really proud of them. It's a team game and everybody has a role. The other day Mario Elie scored three points, but when he was on the floor, the Rockets scored 30. You've got to have everyone."



In prime form, Conchita Martinez pounding a serve Friday in her defeat of Julie Halard.

# Martinez Leaves Her Marks in the Red French Clay

By Christopher Clarey  
Special to the Herald Tribune

PARIS — "I don't think her mind is on tennis anymore. The way things are going, I see her ranked eight or nine after Wimbledon."

It was February; the speaker was Eric Van Harpen. The subject was his former pupil, Conchita Martinez.

Van Harpen, who began coaching Martinez when she was 15, has been right on target many times. He was right about Martinez's top-10 potential, right to change her backhand from a two-hander to a one-hander, right to attempt to alter her service motion and right to urge her to push herself harder during practice.

But Van Harpen was dead wrong in February.

Since parting ways for the third and presumably final time with the exacting Dutch coach and casting her lot with Carlos Kirmayr, Martinez has looked anything but distracted. And to watch the fourth-seeded Spaniard pound deep groundstrokes, cover court, dictate pace and dominate matches so far at the French Open is to realize that the only direction her ranking is headed is north, not south.

"I've played Conchita a lot of times, and there's a big difference between Conchita now and Conchita before," said Julie Halard of France, a quarter-finalist here last year and a 1-6, 2-6 loser to Martinez on Friday. "She's much stronger on the court and much more concentrated."

With Kirmayr looking on placidly in the stands, Martinez has yet to lose a match in five tournaments — all on clay. At the Italian Open, she beat Mary Pierce in the semifinals and then crushed her fellow Spaniard and longtime rival, Arantxa Sanchez Vicario in the final. Since arriving at Stade Roland Garros here, she has continued to gather momentum, losing a total of eight games in her three victories over Sabine Hack, Miriam Oremans and Halard, who are all highly respectable clay-court players.

"I look like a different player," said Martinez, who fell into a dramatic downward spiral last fall, shortly after winning her first Grand Slam title at Wimbledon. "I feel much better on the court. I am playing more aggressive and deep."

Martinez, a semifinalist here last year, is not the only player leaving deep footprints in the red surface the French call *terre battue*. Paris might be called the City of Light, but the heavens did just fine on Friday.

Andre Agassi, the No. 1 seed, continued his breathtaking sprint through a favorable early draw, reaching the fourth round by beating Francisco Claver of Spain, 6-1, 6-2, 6-0. Thomas Muster also was impressive against another Spaniard, Carlos Costa, winning 6-3, 7-5, 6-2. It was Muster's 31st straight victory on clay this season.

But from now on, his path will be strewn with unpleasant obstacles. In the fourth round, he will face Andrei Medvedev, perhaps the most dangerous unseeded player in the draw. Medvedev rallied to win in five sets against the 11th-seeded Alberto Berasategui, the diminutive Spaniard with the unorthodox groundstrokes who reached the final here last year.

If Muster gets past Medvedev, he will face the winner of the fourth-round match between the two-time champion

Jim Courier and Alberto Costa. Courier won in straight sets against Christian Ruud of Norway on Friday. Costa, yet another clay-loving Spaniard, did the same against Germany's Bernd Karbacher.

Costa's countryman, Alex Corretja, also reached the fourth round by upsetting Wayne Ferreira, the eighth-seeded South African. But while Corretja is a proven big-tournament performer, the same cannot be said of Youssef El Aynaoui, a qualifier who became the first Moroccan to reach the fourth round of a Grand Slam event. El Aynaoui, who spends much of his time training in France, beat an Australian qualifier, Andrew Ilie, and will meet Agassi in the round of 16.

He won't be favored. But El Aynaoui is clearly a sanguine sort.

"If I win it's a historic moment; if I lose it's a historic moment," he said.

There were few historic moments for the women on Friday. Steffi Graf advanced with ease, as did her fellow German and future fourth-round opponent, Anke Huber. Gabriela Sabatini also advanced, with a 6-3, 6-4 victory over a gifted yet erratic Romanian, Irina Spirlea. Sabatini, who has made an unpleasant habit of losing large leads in the last two years, blew a 5-1 advantage in the final set but managed to break Spirlea's serve to win the match.

Martinez has not been forced to summon such heroics in quite some time. Long known as a player with enormous talent and mediocre work habits, she has put herself in good enough shape to dominate.

"When we first started working together in Florida in March, I could sense a great deal of desire on her part," Kirmayr said.

Martinez also has made some adjustments in her public persona on and off the court. More expansive in interviews, perhaps because of a growing command of English, and less inclined to let her shoulders slump during matches, she is projecting confidence and contentment.

The question now is whether Martinez can maintain her focus and achieve what Van Harpen always wanted for her by becoming No. 1.

Asked about that goal late last year, Martinez planted her gaze on the floor and avoided the question. Asked about it this week, she looked her interlocutor in the eye.

"I was one of the top five players in the world," she said. "And now I am working on being the best in the world."

# In OT Test, Red Wings Overcome Blackhawks

The Associated Press

DETROIT — Detroit knew the Chicago Blackhawks would be a powerful playoff test, unlike the San Jose Sharks.

Realizing that there would be no more 6-2 blowouts, the Red

## NHL PLAYOFFS

Wings went to work. The effort produced a 2-1 victory as Nicklas Lidstrom scored at 1:01 of overtime in the opening game of the National Hockey League Western Conference finals Thursday night.

"Both teams played the way playoff hockey should be played," said Detroit's coach, Scotty Bowman. "None of the top players on either team had any room at all. That was pure, old-time hockey."

Game 2 will be played Sunday in Detroit before the best-of-7 series moves to Chicago for Games 3 and 4.

Detroit swept San Jose in the second round, winning three of the games by 6-2 scores and a fourth, 6-0.

Joe Murphy opened the scoring Thursday with a first-period goal for Chicago. Keith Primeau tied it in the second.

Each team had nine shots on goal in the first period. Then the Red Wings, the NHL's best team during the season, began to gain an edge. Despite playing without Steve Yzerman, who is expected to miss at least two weeks with a knee injury, the Red Wings outshot the Blackhawks 14-5 the rest of the way.

Lidstrom's winning goal came on a slap shot from just inside the blue line. It was set up by Primeau, who won a faceoff with Jeremy Roenick, and by Shawn Burr, who helped screen Chicago goaltender Ed Belfour's view of the puck.

# Results From Friday's 3d Round Matches

Men's Singles, Third Round	Andre Agassi (1), U.S., def. Francisco Claver, Spain, 6-1, 6-2, 6-0.	Adriano Panatta (1), Italy, def. Veronika Kuczkova, Slovakia, 6-3, 6-2.
Veronika Kuczkova (9), Slovakia, def. David Wheaton, United States, 6-2, 6-1, 6-2.	Youssef El Aynaoui, Morocco, def. Andrew Ilie, Australia, 6-2, 7-5, 6-2.	Christina Franza, Romania, 6-3, 6-2.
Thomas Muster (5), Austria, def. Carlos Costa, Spain, 6-3, 7-5, 6-2.	Conchita Martinez (4), Spain, def. Julie Halard, France, 6-1, 6-2.	Conchita Martinez (4), Spain, def. Julie Halard, France, 6-1, 6-2.
Alberto Berasategui (11), Spain, 3-6, 6-3, 6-4, 7-5, 6-3.	Jim Courier (13), United States, def. Christian Ruud, Norway, 6-4, 6-2, 6-4.	Gabriela Sabatini (8), Argentina, def. Irina Spirlea, Romania, 6-3, 6-4.
Berasategui (11), Spain, 3-6, 6-3, 6-4, 7-5, 6-3.	Women's Singles, Third Round	Virginia Ruano-Pascual, Spain, def. Nathalie Tauziat, France, 6-2, 7-6, 7-4.
Alex Corretja, Spain, def. Wayne Ferreira (8), South Africa, 6-4, 7-5, 6-2.	Anke Huber (11), Germany, def. Sabine Appelmans, Belgium, 6-4, 6-2.	

# G. Burke, Ex-Major-Leaguer, Dies of AIDS

New York Times Service

Glenn Burke, 42, a former outfielder for the Los Angeles Dodgers and the Oakland Athletics who was the first major-league baseball player to publicly acknowledge his homosexuality, died Tuesday in San Leandro, California, of complications from AIDS.

Burke played in the majors for four and a

half seasons, batting .237 and stealing 35 bases. But he left the game at the age of 27 in 1980 because, he said, too many people in baseball condemned his sexuality. "Prejudice drove me out of baseball sooner than I should have," Burke said in an interview with The New York Times last year. "But I wasn't changing."

## SIDELINES

### Lead and Record for Montgomerie

COVENTRY, England (Reuters) — Colin Montgomerie of Scotland broke the Forest of Arden course record with a dazzling 63 in the second round of the English Open on Friday, taking a three-stroke lead over Ireland's Philip Walton.

Montgomerie's record round left him with a 12-under-par total of 132 after 36 holes. On Friday, the defending champion sank eagle putts of 30 and 40 feet and made six birdies as well, the last of them a 20-footer on the final green to break the course record set by Costantino Rocca of Italy two years ago.

Greg Norman emerged from a six-week break to tie for the first-round lead at the Memorial Tournament in Dublin, Ohio, on Thursday. The Australian joined American Mark O'Meara at six-under-par 66 at soggy Muirfield Village on a day when 55 players were unable to complete the round due to a long rain delay.

### Ex-Pistons Aide to Coach Raptors

TORONTO (Reuters) — Brendan Malone, a longtime National Basketball Association assistant coach, was named on Friday to be the first head coach of the expansion Toronto Raptors.

The Raptors begin NBA play in next season along with the Vancouver Grizzlies as the league expands outside the United States for the first time.

Malone, 50, had been an assistant coach for the Detroit Pistons since 1988. He was part of the team that won back-to-back NBA titles in 1989 and '90. The All-Star guard on those teams was Isiah Thomas, now vice president and general manager of the Raptors.

### For the Record

Steve Sampson, winless in two matches as interim coach of the U.S. national soccer, will keep the job through next month's Copa America tournament, the U.S. federation said. (AP)

Stan Fox, who suffered a brain injury in a first-turn crash at the Indianapolis 500 on Sunday, regained consciousness Friday, hospital officials said in Indianapolis. (AP)

## ONE UP by Bryant White

ACROSS	55 "I'm o-c-c-o-l-d"	86 "The Kinsman Saga" author Ben
1 Ticks off	56 Slaves of the Morlocks, in fiction	87 Highlands tongue
7 Gunlock catch	57 Normandy department	88 Chou —
11 Pythia's friend	58 Timeless, in poetry	89 Opinion, forward or backward
16 Half of a Samoan port	59 In wild confusion	90 Townships near Johannesburg
20 1950's terrorist	60 Hook's opposite	92 June bug
21 Cankerous	62 "Eat at —"	93 Dart
23 Ran "Ran," e.g.	63 Oscar winner in "The Big Country"	94 Brightest star in Lepus
24 Viscera	64 Picks out	95 Gumption
25 "Cat's Eye" novelist?	65 Old German coin: Var.	97 1920's jazz dance
27 Sugar suffix	66 LAX letters	99 It's good in Mexico
28 Pupil watcher	67 Subjects to abusive tricks	100 Fifteen-century B.C. philosophy
30 Showoffs	68 Many buttons	101 Prefix with glider
31 Ale holder	70 Segar's Olive	102 Victor in music
32 One of a dozen	71 Fine	104 Funeral in Berlin? author
33 Treebeard and others of Middle-earth	73 Cousin of a truffle	107 "Eugen Oesgen" girl
34 Kapow!	74 Acclaimed Philly conductor	108 Frankish person
35 Pope Paul II's successor?	75 Kindergarten's trio	112 Like
41 1971 Fonda-Sutherland thriller	76 Courteous guy	113 Tchailkovsky's Symphony No.
42 Hanol holidays	79 Navigational aid	115 Penpoint
43 Land of Evangeline	80 Stob's home	115 Judicious
49 Straight to Stradivari	81 Semishier fabric	118 Powder alternative
52 Dweller along the Platte	83 Scanty	123 Foucault's
54 Roman rhetorician who wrote "Institutio Oratoria"		

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### Solution to Puzzle of May 27-28

ACROSS	1 Tickle	11 Pythia's friend	16 Half of a Samoan port	20 1950's terrorist	21 Cankerous	23 Ran "Ran," e.g.	24 Viscera	25 "Cat's Eye" novelist?	27 Sugar suffix	28 Pupil watcher	30 Showoffs	31 Ale holder	32 One of a dozen	33 Treebeard and others of Middle-earth	34 Kapow!	35 Pope Paul II's successor?	41 1971 Fonda-Sutherland thriller	42 Hanol holidays	43 Land of Evangeline	49 Straight to Stradivari	52 Dweller along the Platte	54 Roman rhetorician who wrote "Institutio Oratoria"	
DOWN	1 "I'm o-c-c-o-l-d"	56 Slaves of the Morlocks, in fiction	57 Normandy department	58 Timeless, in poetry	59 In wild confusion	60 Hook's opposite	62 "Eat at —"	63 Oscar winner in "The Big Country"	64 Picks out	65 Old German coin: Var.	66 LAX letters	67 Subjects to abusive tricks	68 Many buttons	70 Segar's Olive	71 Fine	73 Cousin of a truffle	74 Acclaimed Philly conductor	75 Kindergarten's trio	76 Courteous guy	79 Navigational aid	80 Stob's home	81 Semishier fabric	83 Scanty

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